STATE OF CONNECTICUT
DEPARTMENT OF ENVIRONMENTAL PROTECTION

HEARING REPORT

Prepared Pursuant to Section 4-168(d)
of the Connecticut General Statutes and
Section 22a-3a-3(d)(5) of the Department of Environmental Protection Rules of Practice

Regarding Regulations for the Abatement of Air Pollution:
Proposed Amendment of Section 22a-174-36b of the
Regulations of Connecticut State Agencies

Hearing Officer: Paul E. Farrell

Date of Hearing: August 25, 2005

Introduction

On July 8, 2005, the Commissioner of the Department of Environmental Protection
(“Department” or “DEP”) signed a notice of intent to amend section 22a-174-36b (“section 36b”)
of the Regulations of Connecticut State Agencies (“R.C.S.A.”) concerning the second phase of
the California Low Emission Vehicle Program. Pursuant to such notice, a public hearing was
held on August 25, 2005. The public comment period for the proposed amendment and adoption
also closed on August 26, 2005.

On May 10, 2004, the Governor of the State of Connecticut signed into law Public Act 04-84,
which the General Assembly adopted on April 22, 2004. Public Act 04-84, amending section
22a-174g of the Connecticut General Statutes (“C.G.S.”), directs the Commissioner of
Environmental Protection (“Commissioner”) to adopt regulations by December 31, 2004, in
accordance with the provisions of chapter 54 of the C.G.S., to implement the light duty motor
vehicle emission standards of the state of California applicable to motor vehicles of model year
2008 and later. Furthermore, this Public Act directs the Commissioner to amend such
regulations from time to time, in accordance with any changes in the standards made by the state
of California. California is revised its Low Emission Vehicle (“LEV”) standards to adopt green
house gas emission standards for passenger cars, light duty trucks and medium duty passenger
vehicles commencing with 2009 and subsequent model year vehicles.

I. Hearing Report Content

As required by section 4-168(d) of the C.G.S., this report describes the regulations proposed for
hearing; the principal reasons in support of the Department’s proposed amendment and adoption;
the principal considerations presented in oral and written comments in opposition to the
Department’s proposed adoption and amendment; all comments and responses thereto on the
proposed adoption and amendment; and the final wording of the proposed adoption and
amendment. Commenters are identified in Attachment 2.

This report also includes a statement pursuant to C.G.S. section 22a-6(h).

II. **Compliance with Section 22a-6(h) of the Connecticut General Statutes**

Section 22a-6(h) of the C.G.S., as amended by section 5 of Public Act 03-76, requires the Commissioner to distinguish clearly, at the time of notice, all provisions of a proposed regulation or amendment thereto that differ from adopted federal standards and procedures, provided: (1) such proposed amendment pertains to activities addressed by adopted federal standards and procedures; and (2) such adopted federal standards and procedures apply to persons subject to the provisions of such proposed amendment. In addition, the Commissioner must provide an explanation for all such provisions in the regulation-making record required under chapter 54 of the C.G.S.

In accordance with the requirements of C.G.S. section 22a-6(h), the Hearing Officer made a written statement available upon publication of the public notice and at the public hearing. Such statement, incorporated into the administrative record for this matter, indicated that, as required by C.G.S. section 22a-174g, as amended by Public Act 04-84, the Department is proposing to amend section 36b to reflect changes to California’s LEV II program that are incorporating motor vehicle greenhouse gas (GHG) emission standards commencing with the 2009 model year for passenger cars, light duty trucks and medium-duty passenger vehicles, and maintain identical standards with California for all vehicle weight classes as required by section 177 of the federal Clean Air Act. The proposed amendments to section 36b will reduce greenhouse gas emissions from the effected vehicles by requiring the manufacturers of such vehicles to provide only California LEV II certified vehicles into the Connecticut market. The Department is also proposing the adoption of LEV II standards applicable to 2009 and subsequent model year medium-duty passenger vehicles. These standards include tailpipe emission standards, fleet average emission standards and other related elements, including California warranty and recall provisions, and other additional requirements as more fully set forth in section 36b. The Department is also proposing a number of minor technical changes and clarifications to the Connecticut LEV II program in accordance with suggestions made by several automobile manufacturers.

The requirements of C.G.S. section 22a-6(h) are not applicable to the proposed amendment of section 36b as this amendment is being proposed to maintain identical standards with California as required by section 177 of the federal Clean Air Act.

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III. Summary and Text of the Regulatory Amendments as Proposed

A. Section 22a-174-36b, Low Emission Vehicles II, GHG emission standards and related provisions.

As required by C.G.S. section 22a-174g as amended by Public Act 04-84 the Department proposes to amend section 36b to reflect changes to California’s LEV II program that are incorporating motor vehicle GHG emission standards commencing with the 2009 model year for passenger cars, light duty trucks and medium-duty passenger vehicles, and maintain identical standards with California for all vehicle weight classes as required by section 177 of the federal Clean Air Act. Further information on the status of the California rulemaking proceeding, including a final statement of reasons issued by the California Air Resources Board (CARB), is available electronically at www.arb.ca.gov/regact/grnhsgas/grnhsgas.htm. The proposed amendments to section 36b will reduce greenhouse gas emissions from the effected vehicles by requiring the manufacturers of such vehicles to provide only California LEV II certified vehicles into the Connecticut market. The Department is also proposing the adoption of LEV II GHG emission standards applicable to 2009 and subsequent model year medium-duty vehicles. These standards include tailpipe emission standards, fleet average emission standards and other related elements, including California warranty and recall provisions, and other additional requirements as more fully set forth in section 36b. In addition to the proposed GHG emission standards and related requirements, the Department is also proposing a number of minor technical changes and clarifications to the Connecticut LEV II program in accordance with suggestions made by several automobile manufacturers. The text of the regulation as proposed for public hearing is set forth in Attachment 1.

IV. Principal Reasons in Support of the Proposed Amendments

Comments received in support of the proposed amendment from environmental groups and governmental agencies indicated that such action: is required as a matter of state law pursuant to G.G.S. section 22a-174g as amended by Public Act 04-84; will provide GHG emission reductions in accordance with Public Act 04-252, An Act Concerning Climate Change, and the Connecticut Climate Change Action Plan 2005; is cost effective and technically feasible; and is important to protect the health of Connecticut’s residents.

V. Principal Considerations in Opposition to the Proposed Amendments

Individual automobile manufacturers, automobile manufacturing trade groups and their consultants submitted voluminous comments in opposition to the proposed amendments. Their principal comments in opposition are summarized as: the Department lacks both state and federal legal authority to adopt the proposed amendments; the proposed amendments are not technically feasible to implement; the proposed amendments will increase air pollution in Connecticut; the underlying analysis performed by the California Air Resources Board (CARB) is technically flawed; California lacks the legal authority to adopt their GHG rules;
VI. Summary of Comments on the Adoption of California’s Greenhouse Gas Emission Standards

Comments in support of the Department’s proposed adoption are set forth in Section VI. A. Comments in opposition of the Department’s proposed adoption are set forth in Section VI. B.

A. General Comments Supporting Proposed GHG Regulations

Connecticut Fund for the Environment (CFE) provided the following general comment on section 36b:

1. Comment: CFE supports the adoption of the greenhouse gas emission standards set forth in proposed amendments to section 22a-174-36b of the R.C.S.A. for the following reasons:

a. The proposed greenhouse gas standards are a cost-effective, practical and necessary approach to addressing the threat posed by global warming. CFE’s comments identified numerous threats faced by Connecticut under several climate change scenarios.

b. CFE acknowledges the State of Connecticut has demonstrated a strong commitment to address the challenges posed by global warming. In support of the proposed rule, CFE cites the New England Governor’s Eastern Canadian Premiers Climate Change Action Plan 2001 and the adoption of Public Act 04-252, both of which establish long-term goals for greenhouse gas reductions. CFE also cites to the adoption and subsequent legislative ratification of the Connecticut Climate Change Action Plan 2005 in support of the proposed rule.

c. The proposed greenhouse gas standards are crucial to reach reduction targets in light of the large contribution of motor vehicles to greenhouse gas emissions.

d. Adoption of the greenhouse gas emission standards is both a legal and policy imperative.

Response: The Department notes CFE’s support of the proposed rule. The Department agrees with CFE that the proposed GHG rule, in combination with other actions to reduce stationary and mobile source GHGs being developed and implemented in Connecticut and throughout many portions of the United States as well as in many other nations, represents a significant first step towards addressing the threats posed to Connecticut under the various climate change scenarios presented by CFE.

The Connecticut Public Interest Research Group (ConnPIRG) provided the following general comment on section 36b:

2. Comment: ConnPIRG submitted along with their comment a copy of a report entitled, Cars and Global Warming, Policy Options to Reduce Connecticut’s Global Warming Pollution from Cars and Light Trucks (ConnPIRG Report - also available in electronic form at
The ConnPIRG Report analyzes the contribution of tailpipe emissions to overall emissions of global warming pollutants in Connecticut and discusses several available policy options for reducing such emissions. A key finding of the ConnPIRG Report, is that adoption of the proposed emission standards will result in significant GHG tailpipe emissions reductions.

Connecticut adopted a Climate Change Action Plan in 2005, which commits the state to achieving significant reductions in emissions of global warming pollutants in accordance with the regional plan adopted by New England states and eastern Canadian provinces in 2001. As noted on page 22 of the ConnPIRG Report, the Clean Car standards, of which the current proposed amendments are part, represent a major step towards achieving vehicle emissions reductions sufficient to meet the reductions called for in the regional and state Climate Change Action Plans. ConnPIRG stated their analysis indicates the proposed tailpipe emission standards, in combination with the existing LEV II standards adopted in 2004, will achieve approximately 50% of the reductions required for Connecticut to reach an emissions level 10 percent below 1990 levels by 2020 as called for in the regional Climate Change Action Plan.

While the emissions reductions to be achieved by these standards are a compelling reason to support their adoption, ConnPIRG also supports the proposed amended regulations for the simple reason that Connecticut Public Act 04-84 requires their adoption. That legislation, enacted in 2004, requires DEP to revise its regulations as required to maintain consistency with changes to the California emissions program. Since these proposed regulations reflect such changes to the California program, ConnPIRG believes Public Act 04-84 requires their adoption.

Response: The Department notes ConnPIRG’s support for the proposed regulations and agrees with ConnPIRG that the provisions of G.G.S. section 22a-174g (Public Act 04-84) require the Department to revise its LEV regulations when California revises its program. California has done so. The California final rulemaking package was approved by the California Office of Administrative Law and filed with the California Secretary of the State on September 15, 2005. The California GHG regulations will become operative on October 15, 2005. Pursuant to section 1961.1(g), Title 13, California Code of Regulations, the California GHG regulations will be effective on January 1, 2006.

Environmental Defense provided the following general comment on section 36b:

3. Comment: Environmental Defense (ED) recommends adoption of the California automotive GHG emissions program. ED commented that the threats of global warming to New Englanders' health, economy, and environment are real, and Connecticut needs to act now to reduce its contribution to greenhouse gas emissions. Global warming is indeed a global problem, but enacting the proposed regulations will be an important step towards a solution.
ED commented the proposed regulations are an essential part of the 2005 Connecticut Climate Change Action Plan, in which the Governor's Stakeholder Committee on Climate Change (GSC) proposed measures to reduce the State's contribution to global warming as statutorily mandated through Public Act 04-252. The GSC also affirmed Connecticut's commitment to California's auto pollution rules, adopted in 2004 through Public Act 04-84. Public Act 04-84 requires and section 177 of the Clean Air Act authorizes Connecticut's DEP to amend the Connecticut LEV II program when the State of California amends its LEV II program. Maintaining this commitment will be essential to meet new, stricter federal air quality standards, including the recently adopted 8-hour ozone standard and the new standard for fine particulate pollution.

ED further commented these rules are a practical, cost-effective, and consumer-friendly way for Connecticut to take action to curb greenhouse gas emissions. As Environmental Defense stated in comments to California Air Resource Board's (CARB) original proposal, our evaluation of the proposed program is that it is scientifically and economically sound, meeting the requirements of California's requiring legislation (AB 1493), as demonstrated by the careful analysis and assessment reflected in the Initial Statement of Reasons (ISOR) for Proposed Rulemaking prepared by CARB staff to justify the regulations. Finally, Connecticut's actions will encourage innovation and bring existing, but not widely distributed, cleaner technologies and alternative fuel vehicles to the market.

a. Environmental Defense comments that Connecticut needs to act now to reduce its contribution to global warming:

ED commented that there is a scientific consensus that pollution from the burning of fossil fuels, deforestation, and agriculture has caused an accumulation of GHGs in our atmosphere that has already altered Earth's climate. The threats posed by increasing temperatures are expected to be much more powerful, and more expensive to manage, the longer we wait to curb greenhouse gas emissions. In 2004, Environmental Defense released a report describing, in detail, the potential adverse effects of global warming in Connecticut: Bracing for Climate Change in the Constitution State (ED Report).

According to the ED Report, Connecticut's temperature has been gradually warming. Between 1930 and 2001, the mean annual temperature for the entire state of Connecticut increased at an average rate of 1.7 °F per 100 years (calculated using the climate division area-weighted average for four U.S. Historical Climate Network temperature monitoring stations, and corroborated by temperature profile data from the National Climactic Data Center). In certain areas, particularly along the southern shore, the rate of warming was as much as 3.5 °F per 100 years. The rate of warming was greater than the rate of warming in the rest of New England in the same period, and will likely increase because of climate change.

1 Environmental Defense, Bracing for Climate Change in the Constitution State, 2004, page 5.
3 Ibid.
Two climate models used in the New England Regional Assessment to characterize potential climate changes for the New England region show that by the year 2030, mean annual temperatures in New England may be expected to rise on the order of 2.5 °F relative to 1993 temperatures. By 2100, mean annual temperatures could increase by as much as 4 to 9 °F relative to 1993 temperatures.

Rising temperatures in Connecticut threaten the state's environmental and economic well-being. Shorter winters with subsequent declines in the number of days lakes are ice-covered, changing precipitation patterns, increased evaporation and transpiration, and salt-water intrusion may adversely affect the reliability of Connecticut's water supply and all of the organisms that rely on it. Reduced water levels in, and the warming of, lakes and streams can accelerate the accumulation of mercury and other toxins in the food chain.

Sea level rise on one side and coastal development pressures on the other will likely increase erosion and flooding of coastal areas and wetlands, decreasing habitat for migratory birds and creating problems for coastal infrastructure. Additionally, sea level rise compounds the risk of flooding created by storms. By extrapolating current sea level trends, Environmental Defense projects that future Category 1 or 2 hurricanes could attain the flood potential of a Category 3 storm today. Vital infrastructure lying close to the shore, and at risk from flooding, includes major transportation corridors such as the Connecticut Turnpike (I-95) and parts of the Amtrak railroad.

Connecticut and its taxpayers may face substantial costs to protect its coastal and transportation infrastructure from rising sea levels, demonstrating that the adverse effects of climate change also threaten Connecticut's economy. As another example, if current rates of global warming continue unchecked, it is possible that water temperatures in the Long Island Sound will become so warm that lobsters will no longer be able to survive there. This would have obviously disastrous economic effects on the area's lobster fishery—Connecticut’s most important commercial fishery in Long Island Sound. Before a 1999 die-off of lobsters in the Long Island Sound, which was related in part to stress from high water temperatures, lobster catches accounted for approximately 75% of the total commercial fishery harvests by weight and over 90% of the value of commercial landings in the Long Island Sound.

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5 Ibid.
6 Ibid, page 32.
7 Ibid.
b. Environmental Defense comments the proposed regulations are consistent with Connecticut actions and legislation related to air quality and climate change, and with federal air quality legislation.

The Connecticut General Assembly has statutorily recognized the State's need to reduce its emissions of greenhouse gases. In June of 2004, the Connecticut General Assembly adopted Public Act 04-252, "An Act Concerning Climate Change." This forward-looking act statutorily charged the Governor's Steering Committee on Climate Change (GSC) with the task of creating a Connecticut Climate Change Action Plan to guide the state in meeting the goals of the New England Governors and Eastern Canadian Premiers (NEG/ECP) for reducing emissions contributing to climate change.9

According to the 2005 Connecticut Climate Change Action Plan, Connecticut's path to successfully meeting and exceeding the New England Governors/Eastern Canadian Premiers' (NEG/ECP) goals requires the adoption of greenhouse gas (GHG) tailpipe standards. In order to comply with the 2020 NEG/ECP targets, Connecticut will need to reduce its GHG emissions by 17.99 million metric tons carbon dioxide equivalent (MMTCO₂e).10 The plan describes 55 actions that will bring Connecticut's greenhouse gas emissions in line with the NEG/ECP targets. Connecticut has already approved and begun implementing 38 of the actions recommended in the 2005 Climate Change Action Plan, including: adoption of California's motor vehicle emission standards, adoption of regulations establishing energy efficiency standards for a variety of appliances, and reducing non-farm fertilizer use.

If Connecticut implemented all of the 55 accepted and recommended actions described in the 2005 Connecticut Climate Change Action Plan except for the adoption of California's GHG tailpipe standards, the state would fall 1.3 MMTCO₂e short of meeting the NEG/ECP goals.11 The GSC found that adoption of GHG tailpipe standards would provide an estimated 2.63 MMTCO₂e reduction by 2020, meeting this critical gap.12 Further, the GSC found that enacting these regulations would save the state economy $99 for each ton of CO₂-equivalent emissions reduced.13

In 2004, the Connecticut General Assembly, through Public Act 04-84, required the Department take action to adopt California’s motor vehicle emissions standards. The legislation expressly states that the DEP Commissioner "shall amend such regulations from time to time, in accordance with changes in said standards," clearly mandating adoption of the regulations currently under consideration.14

12 Ibid, page 60.
Finally, Section 177 of the federal Clean Air Act authorizes, and arguably mandates, adoption of the proposed measures. This section provides that any state containing a designated nonattainment area may adopt and enforce vehicle emissions standards "identical to the California standards."\(^{15}\) The express intent of this section is to avoid burdening automakers with regulations that would result in a "third vehicle," for example one that would have to meet federal standards for some pollutants, but California standards for others.\(^{16}\) This would suggest that states adopting some of California's motor vehicle emissions standards are legally required to adopt all subsequent amendments to California's standards, such as the GHG tailpipe standards, in order to maintain compliance with Section 177.

c. Environmental Defense comments that adopting the proposed standards is important for protecting the health of Connecticut's residents

Enacting the proposed standards is an essential part of Connecticut’s efforts to come into compliance with federal health-based standards for ground-level ozone. Tailpipe and smokestack emissions contribute to the formation of ground-level ozone in warm temperatures, and warming caused by greenhouse gas emissions means more days on which ozone can form. One study found that in the New York-Connecticut-New Jersey metropolitan region, a uniform increase in temperature of 7 degrees Fahrenheit would result in an almost 20% increase in ground-level ozone (smog) concentrations.\(^{17}\) This temperature increase is within the range of predictions for 2100, as discussed in Comment 3.a.

The potential increase in ground-level ozone concentrations resulting from global warming is of great concern given that the entire state of Connecticut is already out of compliance with the federal health-based 8-hour ozone standard. High concentrations of ground-level ozone can cause acute respiratory problems, aggravate asthma, irritate eyes, and inflame lung tissue. These symptoms especially affect children, the elderly, and those with lung conditions. In addition, communities unable to comply with federal standards for ozone can face significant economic penalties or sanctions from the federal government.

Another important health implication of global warming is that it brings an elevated risk of heat-related illnesses and deaths, particularly among the elderly and the poor. In the Metropolitan East Coast region, heat-related mortality increases significantly on "high-heat-stress days"—days when the temperature tops 90 °F.\(^{18}\) According to projections based on data from NASA's Goddard Institute for Space Studies for the four U.S. Historical Climate Network stations in Connecticut, there will be on average almost ten more high-heat-stress days per year in the 2050s.

\(^{15}\) 42 U.S.C. 7507 §177(1)
\(^{16}\) 42 U.S.C. 7507 §177(2)
\(^{17}\) Environmental Defense, Bracing for Climate Change in the Constitution State, 2004, page 12.
than there were in the 1990s.\textsuperscript{19} Meanwhile, Connecticut's elderly population, one of the most pollution and heat-sensitive groups, is expected to increase almost 50% by 2025.\textsuperscript{20} One study found that by 2050, New Haven could experience an 8% to 32% increase in heat-related mortality as a consequence of further warming.\textsuperscript{21}

d. **Environmental Defense comments the California's program is technologically feasible and cost-effective in Connecticut**

The Initial Statement of Reasons (ISOR) for Proposed Rulemaking, prepared by CARB staff to justify the regulations, provides a well-grounded assessment of the technological potential for vehicular greenhouse gas (GHG) emissions reduction. The ISOR identifies the numerous options automakers have at their disposal to meet the proposed standards cost-effectively. The technologies and alternative fuel vehicles analyzed by CARB staff represent a practical and affordable set of options that automotive engineers can use to redesign light duty vehicles in order to achieve lower GHG emissions.

Automakers can readily and consistently meet the GHG emissions reduction targets and reduction timetable with the requirements of the proposed regulations. In particular, automakers can meet the reduction targets without restricting consumers' ability to buy sport utility vehicles or any other style of vehicle popular in the market today or over the time horizon covered by the regulation. In fact, the proposed regulations will protect the environment, save consumers money, and expand consumer choice by stimulating the adoption of better technology and low-carbon fuels while inspiring the creativity of auto designers and engineers to provide cars and light trucks that meet market needs.

Automakers have proven over and over again that they are capable of harnessing their innovative powers to provide technologies that benefit consumers in all these ways, oftentimes faster and more cost-effectively than they originally anticipated. Environmental Defense expects nothing less in the case of greenhouse gas emission reductions.

e. **Environmental Defense believes the proposed regulations will stimulate additional innovation.**

In evaluating the proposed GHG regulations and addressing the questions of what design changes it will take to meet them and what will be the impacts on the car market, Environmental Defense notes that the technology assessment CARB used to justify the standards represents an engineering proof of feasibility, rather than a literal prescription of the technology changes to be made in vehicles. An analogy can be made to the assessments used to justify the Low Emissions Vehicle standards promulgated in 1990, when technologies such as electrically heated catalysts had been identified as a justification for ULEV levels. As it turned out, automakers and suppliers

\textsuperscript{19} Environmental Defense, \textit{Bracing for Climate Change in the Constitution State}, 2004, page 17.
\textsuperscript{20} Ibid, page 16.
\textsuperscript{21} Ibid, page 17.
developed other approaches for meeting the standards at lower cost. Similarly, the assessment of CO₂ reduction potential is best interpreted as a demonstration of engineering capability, which is in fact likely to play out in different ways -- and probably less costly ways -- as the requirement to cut GHGs creates a new set of design objectives for automotive engineers.

g. Environmental Defense comments many technologies are available to meet the proposed standards.

Environmental Defense's review of the CARB ISOR's estimates of maximum feasible GHG reductions by vehicle class indicate that these values are fully in line with the automotive technology assessments in which Environmental Defense has been involved and which Environmental Defense has reviewed.

Based on CARB's analysis, Environmental Defense comments that consumer operating cost savings will more than offset the cost of technology.

In its analysis of the regulations, CARB also took a conservative approach in evaluating cost-effectiveness for consumers. The technology combinations and alternative fuel on which the proposed standards rely all entail conventional technologies and fuels or refinements of conventional technologies and fuels. The cost values estimated are consistent with the engineering literature. Moreover, CARB's choice of packages that yield net consumer savings over a vehicle's lifecycle goes beyond the cost-effectiveness mandate that would only require emissions reductions to be cost-effective. This mandate would not require either a net savings or zero net cost, but would require that reductions be achieved at a reasonable cost. This indicates that even greater improvements would be cost-effective to consumers. This approach provides a margin of safety in CARB's estimates; arguably, CARB could have set significantly more stringent targets while still meeting reasonable tests of cost-effectiveness. In terms of vehicle functionality, the technology improvements induced by the GHG standards should play out very similarly to what has occurred in response to past air pollution emissions control standards. Connecticut's citizens can expect to see the benefits of reduced GHG emissions even as cars and light trucks continue to improve in other ways, without any appreciable impacts on either consumer acceptance or overall sales. The motor vehicle GHG emission rules are a practical, cost-effective, and consumer-friendly way for Connecticut to take action to curb greenhouse gas emissions.

Response: The Department notes ED's support of the proposed regulations. The Department agrees with ED's comment that the California's program is technologically feasible and cost-effective in Connecticut. See also response to comments VI.A.1, 2, and 4.
Conservation Law Foundation (CLF) provided the following general comment on section 36b:

4. Comment: The Conservation Law Foundation (CLF) strongly endorse DEP’s proposal to adopt the revised California Low Emission Vehicle standards to address emissions of greenhouse gasses (GHGs) through the proposed revisions to section 36b to incorporate recent revisions to California’s low emission vehicle (LEV II) program to reduce GHG emissions from light and medium duty vehicles.

a. CLF comments on the global warming threat

With less than six percent of the world’s population, the United States is responsible for over one-third of the total global emissions of pollutants that cause global warming. Transportation is the single largest and fastest growing source of these emissions within Connecticut (39 percent) and New England (25 percent). Emissions from this sector are projected to comprise most of the growth in overall GHG emissions throughout the Northeast over the next decade. Although a national regulatory program might be a more effective way to combat global warming, in the case of the transportation sector the federal Environmental Protection Agency’s Tier 2 vehicle emission regulations do not address this critical problem. Nor are there any plans by EPA to add greenhouse gas emissions standards to the Tier 2 program, despite the availability of proven cost-effective technologies to do so. Thus, in order to achieve the goals of the New England Governors and Eastern Canadian Premiers (NEG/ECP) Climate Change agreement, states such as Connecticut must implement their own regulatory programs. CLF believes that this proposed rule is among the most important components of the effort to stop global warming, as it addresses Connecticut’s single largest and fastest growing source of greenhouse gasses.

Moreover, there is an urgent need for the proposed rule, not just in Connecticut but also in CLF’s home states of Rhode Island, Massachusetts, Vermont, New Hampshire and Maine. Regional temperatures are projected to increase by six to ten degrees Fahrenheit over the next century. With an increase of this magnitude, Boston’s climate would resemble that of Charlotte, North Carolina (6°F Fahrenheit increase), or Atlanta, Georgia (10°F Fahrenheit increase). Rising sea level will accelerate beach erosion, and exacerbate coastal flooding, threatening coastal developments and unique natural habitats. Already seventy-two coastal towns in Massachusetts are affected by sea level rise. Over the last century, Boston has seen sea level rise 3.5 inches. According to a recent federally-funded study by researchers at Tufts University, Boston University and the University of Maryland, property damages in Greater Boston alone due to sea level rise could

23 The potential impacts of global warming in our region are well documented in New York State Department of Environmental Conservation’s (DEC) Regulatory Impact Statement for its Proposed Amendments to 6 NYCRR Part 218 and Section 200.9, which we hereby incorporate by reference.
range from $20-$94 billion over the next century. Along the southern Massachusetts coast the
impact has been more extreme, with seas rising almost one foot in the last century. Every year
Massachusetts loses sixty-five acres to sea level rise, with roughly half that loss coming from ten
towns. Similar consequences face coastal areas throughout our region and the globe.

In addition to warmer temperatures and sea level rise, climate change will result in increased
precipitation and more frequent and severe storms with significant consequences for New
England’s natural environment, coastal communities and economy. In this sense, we, your
neighboring states will share the economic and social losses due to detrimental changes in our
forests, agriculture, maple syrup and ski industries, and many others. These impacts could be
significant. Using just one example from the at-risk sectors of our economy, roughly 75 percent
of the total US maple syrup production is represented in the New England region. The average
value of the region’s syrup production was $25 million for 1997-99. In Vermont, the highest
volume of maple syrup producing state in the region, the multiplier effect of the industry to
related equipment, manufacturing, packaging, and retail sectors equals $105 million annually and
represents approximately 4,000 seasonal jobs. This entire industry is at risk from displacement
of trees northwards or disruption of spring temperature cycles necessary to high quality sap
production.

CLF is also deeply concerned about public health impacts from vehicle emissions of pollutants
that form ground level ozone and contribute to global warming. Increased GHG emissions
contribute to conditions favorable for the formation of ground-level ozone, specifically by
increasing temperature through global warming. Conditions required to form ground-level ozone
include increased temperature, strong sunlight, and the presence of ozone precursors such as
oxides of nitrogen (also emitted by motor vehicles and, as a co-benefit, subject to reduction under
the proposed rule). Ground level ozone and particulates (another pollutant subject to co-benefit
reductions) can inflame and damage cells in the lung lining, aggravating chronic lung diseases
such as emphysema and bronchitis, triggering asthma attacks and, with repeated exposure,
causing permanent lung damage in children and reduced lung function in adults. Recent studies
by the Centers for Disease Control (CDC) show that asthma is reaching epidemic proportions in
the U.S., with over 20 million adults infected with the disease. CDC estimates the total cost of
asthma to the US economy at $10.7-12.7 billion dollars, and says it is the leading cause of work
and school absences. Five of the seven worst states for asthma are in New England. On
average, 8.9 percent of adults in New England are infected with asthma, compared with 7.2
percent nationally. Preliminary CDC data suggest an even more widespread crisis among the
region’s children, with asthma rates in children twice those of the adult population. Indeed,

26 New England Regional Assessment Group, *Preparing for a Changing Climate: The Potential Consequences of
27 See http://www.epa.gov/airnow/ozone2.html#2.
lifetime asthma.\textsuperscript{29}

We would note the direct correlation between increased temperatures, caused by global warming, and high levels of ground level ozone.\textsuperscript{30} Attacking the problem of the widespread and systemic health effects of ground level ozone has been a primary mission of automobile air emissions regulation for over three decades – this regulation, attacking a root cause of this problem is simply the latest manifestation of that effort.

b. CLF comments on the benefits of section 36b

CLF commented there is a compelling and urgent need to reduce polluting emissions from motor vehicles in the Northeast. Regulatory controls on emissions in Connecticut will have a direct positive effect on the environment, public health and communities in our states and for our members.

CLF commented that the environmental and public health benefits are matched by substantial consumer and industry benefits of the rule. Early efforts to improve vehicle efficiency and reduce global warming pollution relied almost solely upon weight reduction. The lighter the car, the less fuel burned and consequently the less pollution emitted. California’s new GHG Standards, however, are based on recent improvements in engine and drive-train technology that are far less expensive to build than super-light vehicles. Many of these new technologies – such as automated manual transmissions, six-speed automatics, cylinder de-activation, variable valve timing and lift, turbo charging, and gasoline direct injection – are already in mass production for 2005 vehicles and are proven to dramatically reduce emissions of carbon dioxide and other gases that cause climate change. Other emergent technologies – such as integrated starters and generators, camless valve actuation and super-efficient, low-leak air conditioning – are scheduled for introduction before model year 2009.

Importantly, these technologies will reduce pollution in all vehicle types. The California Air Resources Board (CARB) estimates that by 2016, heavier vehicles such as pickup trucks and SUVs can reduce emissions by 25 percent. But improvements are far greater in smaller and lighter vehicles: over the same period, CARB estimates lighter trucks and cars can reduce emissions by 34 percent. The same benefits will accrue in Connecticut. If anything, however, CARB’s figures are conservative both in terms of timing (Toyota and Honda both exceeded the 2009 standards as early as 2003) and benefits (in 2004, Ford announced that it would improve average fuel efficiency, and thus greenhouse gas emissions, by 80 percent – a figure that dwarfs the impact of the new California standards). Thus, if the trend of early and over compliance continues, and there are strong indications from the market that it will, then the benefits may exceed CARB’s estimates. Moreover, given the premium on “green” vehicles in today’s market,

\textsuperscript{29} New England Asthma Regional Council, Asthma in New England (May 2003).
companies that comply early will likely benefit through increased sales.

Although the sticker price of a vehicle that meets the new GHG Standards may increase, the savings in operating costs are even greater, meaning that consumers will actually save money by buying more environmentally friendly cars. CARB estimates that compliance with the new emissions standards will result in a cost increase of around $300 per vehicle in the near-term (2009-2012), and around $1,000 once mid-term standards fully take effect (2016). Yet, because vehicles that comply with the new greenhouse gas standards are so much more fuel-efficient, total monthly operating costs (car loan plus gas purchases) will decrease. For example, at $1.74 per gallon, CARB estimates consumers will save an average of $11 a month in the near term and $3 a month in the mid-term. With higher gas prices, the savings only increase. The Union of Concerned Scientists reports that with gasoline prices at $2.00 per gallon, consumers will recoup the added costs of near-term technologies in less than 1.5 years and the cost of mid-term technologies in just over 3.5 years. Moreover, at $2.00 per gallon, over the lifetime of the vehicle near-term technology will save the average consumer $2,300 and mid-term technology will save $3,500.\footnote{Union of Concerned Scientists, \textit{The Consumer Benefits of California's Vehicle Global Warming Law} (November 2004).} These incidental benefits to consumers are highly positive and support adoption of the proposed rule.

c. \textbf{CLF comments on federal Clean Air Act requirements}

Under § 177 of the federal Clean Air Act, states in violation of national ambient air quality standards may adopt the California vehicle emission standards, but only so long as the standards are identical to those in place in California for each model year. See 42 U.S.C. § 7507. Additionally states adopting under § 177 must provide two years lead-time between final adoption to the effective date. Connecticut is an adopting state under § 177.

California’s GHG standards are incorporated into its Low Emission Vehicle standards and become effective in Model Year 2009. See Title 13 CCR § 1900 \textit{et seq.} Therefore, DEP must also adopt the proposed rule effective MY 2009 in order to remain identical with California. Importantly, DEP need not and, indeed, given the above timeframes, cannot wait for a decision from EPA regarding a federal waiver pursuant to 42 U.S.C. § 7543(b). The only constraint is that enforceability in Connecticut is contingent upon granting of the waiver. See \textit{Motor Vehicle Manufacturers Association v. DEC}, 17 F.3d 521, 533-34 (2nd Cir. 1994) (given two year lead time provision, DEC may adopt California standards prior to the EPA's having granted a waiver, so long as the DEC makes no attempt to enforce the plan prior to the time when the waiver is actually obtained). For the same reasons, Connecticut should adopt the proposed rule now and not wait until the legal challenges to the California rule have been resolved.

CLF also believes that should Connecticut fail to keep pace with and remain identical to California, it risks losing credit in its State Implementation Plan for reduction of criteria
pollutants. As these credits are not easily replaced, such an event could subject the state to the Clean Air Act’s costly penalty provisions. Finally, the California GHG rule uses a carefully calibrated phase-in requirement, early reduction credits, early credit trading, and alternative compliance strategy— all of which are time-date dependent. Thus, in order to adopt identical provisions (and to avoid the difficult and expensive task of creating a comparable phase-in and credit program as with the Zero Emission Vehicle rule), Connecticut must stay synchronous with the California program. For all of these reasons, CLF believes that DEP’s proposed revisions are timely and appropriate, and we encourage immediate and full adoption.

Response: The Department notes CLF’s support for the proposed regulations.

The Department agrees with CLF’s characterization of the cost issues raised by the CARB GHG rule indicating that while the sticker price of a vehicle that meets the new GHG standards may increase, the savings in operating costs are even greater. CARB estimates that compliance with the new emissions standards will result in a cost increase of around $300 per vehicle in the near-term (2009-2012), and around $1,000 once mid-term standards fully take effect (2016). The Department believes that because GHG compliant vehicles will be more efficient, the total monthly operating costs (car loan plus gas purchases) will decrease. The Department understands that CARB utilized a conservative value for the price of gasoline at $1.74 per gallon and estimated that consumers will save an average of $11 a month in the near term and $3 a month in the mid-term. It stands to reason that with higher gas prices, the savings only increase. The Department notes that CLF referenced reports indicating that with gasoline prices at $2.00 per gallon, consumers will recoup the added costs of near-term technologies in less than 1.5 years and the cost of mid-term technologies in just over 3.5 years. If gasoline prices, which recently exceeded $3.00 per gallon, were to maintain these levels the payback period would be further decreased.

CLF also raises an interesting implementation issue with respect to their discussion of the federal waiver process under section 209(b) of the federal Clean Air Act (CAA). It is well established that a state may adopt California’s exhaust emission standards pursuant to section 177 of the federal CAA. However, a state may not enforce such standards until the Environmental Protection Agency issues a waiver to California under section 209(b) of the CAA. This contingent enforceability provision is described in Motor Vehicle Manufacturers Association v. DEC, 17 F.3d 521, 533-34 (2nd Cir. 1994) (given two year lead time provision, the New York State Department of Conservation (NYSDEC) may adopt California standards prior to the EPA’s having granted a waiver, so long as the NYSDEC makes no attempt to enforce the plan prior to the time when the waiver is actually obtained). CLF correctly points out that Connecticut may adopt the proposed rule now prior to the issuance of the required waivers.
Northeast States for Coordinated Air Use Management (NESCAUM) provided the following general comments on section 36b:

5. Comment: The reduction of GHG emissions is extremely important to Northeast state regulators and governors. In terms of the specific risks of climate change for the Northeast states, modeling suggests that average temperatures in New England could increase by 3.1-5.3 degrees Celsius by the year 2090 given increasing levels of GHGs. A study funded by the U.S. Global Change Research Program noted that global warming at the higher end of climate change modeling projections would raise average year-round temperature in Boston to a level currently measured in Atlanta, GA. Associated impacts on the region could include more frequent and intense storms; increased damage in coastal areas from flooding and erosion associated with sea-level rises; and a variety of stresses on fishing grounds, forests, and coastal ecosystems.

Northeast air quality regulators estimate that approximately 25 percent of total anthropogenic GHG emissions in our region come from passenger cars and light-duty trucks. In order to reduce GHG emissions Connecticut, along with other Northeast states, has committed to reduce GHGs as part of the New England Governors/Eastern Canadian Premiers Climate Action Plan adopted in 2002. The initial goals of the plan are to stabilize GHG emissions at 1990 levels by 2010 and reduce GHG emissions 10 percent below 1990 levels by 2020. Given the transportation sector's contribution to the GHG inventory, achieving the region's climate goals will require effective means to address the motor vehicle component. In that context, the Northeast states have closely monitored the AB 1493 rulemaking and are now moving forward to adopt the requirements.

The Northeast states have an established record of adopting the California's more stringent motor vehicle regulations: several have been enforcing California's Low Emission Vehicle (LEV) standards in lieu of federal standards for over a decade. Seven states in our region have adopted the LEV standards. These states are also the process of adopting the motor vehicle GHG standards. The seven LEV states in the region (New York, Massachusetts, Connecticut, New Jersey, Maine, Vermont, and Rhode Island) together with California make up 25 percent of the nation's vehicle fleet. Thus, implementation of the GHG standards in California and the Northeast will achieve significant reductions in global warming emissions. This is a critically important step in reaching the Northeast states' GHG targets. To assist the Northeast states in developing a viable strategy to reduce motor vehicle GHGs, NESCAUM's sister organization, NESCAFF, conducted a comprehensive analysis to assess the feasibility and costs associated with introduction of technologies to reduce GHGs from passenger cars. The NESCAFF study team used state-of-the-art computer simulation modeling software to evaluate 75 different technology packages on five vehicle types. The study team also conducted a comprehensive cost analysis on the technologies evaluated. The study found that cost effective technologies exist to reduce motor vehicle GHGs for a range of GHG reductions of up to 55 percent. The study was designed to replicate a program that met the California Pavley legislation requirements and restrictions.

32 "NESCAFF" stands for Northeast States for a Clean Air Future.
NESCAUM and NESCCAF believe that adoption of the California GHG standards by Connecticut will ensure that significant GHG reductions from motor vehicles are achieved expeditiously while at the same time providing adequate lead-time for manufacturers to meet the standards. The NESCCAF study found that technologies currently in production such as improved air conditioning, variable valve timing and lift, 6-speed automatic transmissions, and cylinder deactivation can be used to reduce motor vehicle GHGs by 25 percent. Much greater reductions - of up to 55 percent - can be achieved through the use of more advanced technologies such as stoichiometric gasoline direct injection, hybrid electric, and diesel vehicles. Most of the technologies evaluated in the NESCCAF study are currently in high volume production (defined as 500,000 units or more sold each year).

Given the gradual ramp-up of the proposed GHG standards and the current availability of technologies, the Northeast states believe the standards are fair and can be met in the timeframe set out in the regulation. Furthermore, the regulations will not only reduce GHGs but will benefit consumers given the significant savings that can be achieved in fuel costs. For example, the NESCCAF study found that consumers will save up to $2,000 over the life of a lower emitting vehicle, given the cost savings in fuel that will be realized. These savings assume a gasoline cost of $2.00 per gallon and a vehicle life of 150,000 miles. To conclude, NESCAUM strongly supports Connecticut’s proposal to reduce motor vehicle GHGs.

Response: The Department notes NESCAUM’s support of the proposed regulations and concurs with NESCAUM’s comments. See also response to comments VI.A.1, 2, and 4.

The New Jersey Department of Environmental Protection (NJDEP) provided the following general comments on section 36b:

6. Comment: The NJDEP supports Connecticut’s proposal to revise its LEV II program to incorporate CARB’s GHG emissions standards for the 2009 and subsequent model year vehicles and to seek greater reductions of ozone precursor emissions by adopting LEV II standards for 2009 and subsequent model year medium duty vehicles.

Response: The Department notes NJDEP’s support of the proposed regulations. The Department should strive for regionally consistent implementation of the LEV program so as to provide automobile manufactures with the greatest degree of regulatory certainty.
B. General Comments Opposing Proposed GHG Regulations.

The Alliance of Automobile Manufacturers (AAM) provided the following general comments on section 36b:

1. Comment. AAM submitted voluminous comments accompanied by several attachments and exhibits, which AAM incorporated by reference into their specific comments as noted throughout comments 1 – 6, below.

The AAM recommends that the Department withdraw proposed regulation, and rely instead on the federal motor vehicle control program. In addition, the AAM submitted the following general comments on the proposed rule:

a. AAM general comment on environmental benefit

There is no evidence that adoption of the California greenhouse gas rule in Connecticut would have any effect on the climate of Connecticut. Any claim that the California rule would change the climate of Connecticut or have any related public-health benefit isunsupported on a scientific basis. If the goal of the regulation is to address climate change, the only purpose served by adopting the California rule would be symbolic.

b. AAM general comment on legal authority

The greenhouse gas regulation under consideration by DEP conflicts with state and federal law. AAM comments that that carbon dioxide is not designated as an air pollutant in Connecticut; and the proposed regulation conflicts with federal law, which reserves to the national government the sole power to regulate motor vehicle fuel economy, and to establish policies for the control of greenhouse gases in cooperation with other countries. Finally, section 177 of the Clean Air Act does not require Connecticut to adopt the California greenhouse gas rule.

c. AAM believes the proposed rule needlessly injects government into consumer vehicle choice

The California greenhouse gas rule would needlessly inject the government into consumers’ choices about the types of vehicles that best suit their needs. Some supporters of the California rule claim that the rule is beneficial because it will mandate higher fuel economy. That claim assumes, contrary to common sense and experience, that a regulatory agency in California can better define the private economic interests of Connecticut consumers than the Connecticut marketplace. Consumers in Connecticut or any other state who want to buy high-mileage vehicles can do so today without the need for specific regulations that require them to do so.
Response: The Department should not adopt AAM’s recommendation to withdraw the proposed GHG regulation, relinquish the LEV program and instead rely on the federal motor vehicle control program.

With respect to comment 1.a.: Even though the proposed regulation will result in significant reductions in GHG emissions, AAM asserts that the Department should not proceed because the anticipated reductions will not, of and by itself, lead to improvements in Connecticut’s climate. AAM’s focus is too narrow given the scope of the climate change problem. AAM fails to recognize that the proposed regulation is but one step in a multi-faceted strategy intended to reduce Connecticut’s contribution to climate change. The Connecticut General Assembly as clearly set forth Connecticut’s GHG reduction goals in Public Act 04-252. Connecticut has also identified fifty-five recommended actions to reduce GHG emissions in the Connecticut Climate Change Action Plan 2005, see http://www.ctclimatechange.com/documents/pressreleaseconfinal2005plan021505_000.pdf. In addition, Connecticut’s actions must also be viewed in the aggregate with additional anticipated GHG reductions from three West Coast states and up to nine East Coast states.

With respect to comment 1.b.: See the Department’s response to Comment VI.B.3. below.

With respect to comment 1.c.: The Department believes the proposed GHG rule is identical to the CARB GHG rule. As such, it is important to note the CARB GHG standards were specifically developed under requirements to not limit consumer choice to type, performance, or weight. The manufacturer obligation is to have their overall fleet mix meet an annual greenhouse gas emissions target, which gradually declines and is set based on the manufacturer with the least developed technology. There is no requirement to develop a specific type of vehicle. Government, in the exercise of its police power, has often set reasonable standards for industry necessary to protect human health and the environment. In the automotive context, these standards have included requirements for seat belts, bumper and side impact performance standards, air bags, catalytic converters, non-venting gas caps, etc. In the face of new standards and technological challenges, many manufacturers have thrived and moved technology forward. Furthermore, AAM continues to mischaracterize the proposed rule as a fuel economy standard and believes there are sufficient “high mileage” vehicles in the market to meet consumer demand. The proposed standards are intended to reduce GHG emissions, not to impose fuel economy standards.

2. Comment: AAM overview of the California GHG Regulation

AAM provided background information on the requirements of California rule, drawn from the CARB rulemaking record and presented technical issues that the Department should address in evaluating the proposal to adopt the California rule in Connecticut.
a. AAM comments on regulatory background

AAM notes that emissions from a wide variety of sources, including power plants, manufacturing facilities and automobiles, contribute to air quality concerns. In the case of motor vehicles, the principal emissions of concern are unburned hydrocarbons ("HC") and oxides of nitrogen ("NOx"). HC and NOx undergo photochemical reactions in the atmosphere in the presence of sunlight to produce ozone, a respiratory system irritant and the principal ingredient of "smog." Carbon monoxide ("CO") is another pollutant caused by incomplete combustion. Although CO slightly contributes to ozone formation; it is primarily regulated because of its direct effect on human health, which includes increased stress on the cardiovascular system. AAM notes that EPA sets national standards to define the level of these pollutants that EPA has determined to be consistent with the protection of human health and the environment with a margin of safety.

AAM undertakes a lengthy discussion on carbon dioxide ("CO2"). AAM comments suggest CO2 is merely another byproduct of the combustion of carbon-based fuels, such as wood, coal and gasoline. It is a ubiquitous and naturally occurring gas in the air, is part of the respiration process between plants and animals, and is essential to life as we know it. Indeed, carbon dioxide is the fifth most abundant substance in the Earth’s atmosphere, after nitrogen, oxygen, water vapor and argon.

AAM notes that carbon dioxide emissions are directly related to fuel consumption. The only method for significantly reducing carbon dioxide emissions from a gasoline-powered motor vehicle is to reduce fuel consumption. The official test procedure used to determine compliance with the federal corporate average fuel economy ("CAFE") standards depends on the measurement of carbon dioxide emissions, which is the primary greenhouse gas emitted from motor vehicles. The combustion of gasoline is the only source of carbon dioxide emissions from motor vehicles, and carbon dioxide emissions constitute the vast majority of gas emissions from motor vehicles.

The CARB standards require a reduction in CO2-equivalent greenhouse gas emissions from passenger cars of more than 30 percent.33 AAM notes that because carbon dioxide emissions account for nearly 97 percent of the greenhouse gas emissions from passenger cars and light-duty trucks on a CO2-equivalent basis, it will be impossible to meet the CARB GHG standards without relying on higher fuel economy.

AAM comments that the CARB GHG standards, which AAM characterizes as a de facto fuel economy standard, are much more stringent than the average fuel economy levels required by the federal fuel economy standards. For example, CARB has set a "mid-term" CO2-equivalent ("CO2e") standard for passenger cars and some light-duty trucks of 205 grams per mile ("g/mi")

33 The CARB staff estimated in 2004 that the average CO2-equivalent emissions for passenger cars produced by the largest six manufacturers were 312 g/mi for model year 2002. The 205 g/mi standard applicable in 2016 is 34 percent lower.
CO2e. Converted to fuel economy as measured by the federal regulations, that is equivalent to 43.7 miles per gallon ("mpg") for a vehicle that uses a conventional air conditioning system and that is not designed to reduce nitrous oxide (N20) or methane tailpipe emissions. CARB’s rule mandates 59 percent higher fuel economy than required under the Corporate Average Fuel Economy ("CAFE") standards for passenger cars, which is 27.5 mpg. Similarly, CARB’s 332 g/mi standard for LDT2 vehicles is equivalent to 26.8 mpg for a vehicle with a conventional air conditioning system. This is 21 percent higher than the recently adopted 2007 federal CAFE standard for light-duty trucks of 22.2 mpg.

b. AAM identified issues of controversy

AAM provided their summary of three issues of particular importance to the proposal under consideration by the Department:

i. Nationwide deployment of the California GHG control technologies

CARB has assumed that once its GHG rule is implemented, the automobile industry will choose to deploy the technologies needed to meet the California standards on at least a nationwide (if not global) basis. That assumption is critical to CARB’s estimates of the costs for compliance with the California regulation in California and in other States that enforce the California rule. If CARB’s assumption is incorrect, then the costs of the California rule for consumers in California and other States that enforce the California rule will be much higher than estimated by CARB. Because the costs of new regulations will impact the residents of Connecticut, the Department needs to make an independent assessment of CARB’s assumption that the industry will respond to the regulation by producing vehicles that use all the necessary greenhouse gas technologies nationwide.

CARB’s assumption that the industry would deploy greenhouse gas control technologies nationwide, to an extent approaching full penetration of those technologies across the country, is certainly not entitled to deference by DEP. As CARB has recognized, the greenhouse gas rule will raise new-vehicle costs and prices, and so will reduce demand for new vehicles. In one regulatory analysis that CARB published prior to its decision to approve the greenhouse gas roles in September 2004, the CARB staff estimated that once the greenhouse gas standards were fully implemented, new-vehicle sales in California would decline by four to five percent. Other estimates predicted larger reductions in sales.

It would be illogical and contrary to their customers’ interests for automobile manufacturers to produce vehicles for which there is less demand, in the absence of a regulatory requirement to do so. For that reason, it is unlikely that the industry will try to comply with the California greenhouse gas rule by producing all or even most of the necessary technologies at nationwide volumes. This means that the cost of the regulation for Connecticut consumers will be substantially higher than estimated by CARB. The Department needs to examine this issue in more detail. If the Department agrees with the general view recognized by CARB and others that
the California rule will depress vehicle sales, it should not accept CARB's assumption that the industry would pursue nationwide deployment of the greenhouse gas technologies, and it should develop more accurate estimates of the costs of compliance with the regulation for residents of Connecticut.

ii. Credits and alternative compliance mechanisms

Another issue in controversy involves the portions of the CARB rule that describe the provisions that supposedly add flexibility for the industry in developing compliance strategies. The implication is that the industry can use those features of the California regulation to reduce the costs of compliance with the regulation and ease the burden for Connecticut consumers.

While the AAM does not have access to confidential compliance plans of its members or other manufacturers, it questions the assumption that the inter-manufacturer credit provisions and alternative compliance features of the California rule will play a significant role in compliance with the regulation, either in California or Connecticut. Indeed, the alternative compliance features of the California greenhouse gas rule exist in name only -- they are so stringent that they appear designed to discourage efforts to comply using any means other than the types of fuel economy technologies envisioned in CARB's main regulatory analysis, and they probably could not be used by any major full line manufacturer. If the Department believes that alternative compliance plans will be part of the compliance strategy for manufacturers in Connecticut, it should provide examples of the types of plans that are both economically practicable and approvable under the regulations.

With regard to inter-company trading, it is critical to note that vehicle manufacturers must plan their fuel economy and emissions compliance strategies for a given model year many years in advance. While that planning is under way, a manufacturer has no access to the fuel economy strategy or planning activities of other unaffiliated manufacturers. Given the competitive nature of the industry, the uncertainty that any specific company would have a specific number of credits available to sell, and the lead times required to develop and produce new technologies, it is completely implausible to suppose that any company will be able to include a plan to acquire credits from another company in its CO2 compliance strategy. If the Department believes that the industry will be able to reduce its compliance burdens significantly with inter-company trading, it should explain why.

iii. Grid-connected hybrid vehicles

AAM comments that a more technically complex issue involves the use of a particular type of technology to meet the CARB standards. The relevant technology is called grid-connected hybrid vehicle technology, or "GHEV" technology. The CARB regulation defines a grid-connected hybrid electric vehicle as "a hybrid electric vehicle that has the capacity for the battery to be recharged from an off-board source of electricity and has some all-electric range." Such vehicles can be driven without the use of gasoline to the extent that their batteries are recharged
from the electrical grid and the distance they are driven between recharging is equal to or less than their "all electric range" (i.e., the driving range available from the battery alone). Beyond the all electric range, the combustion engine is used.

Under the CARB rule, the formula for calculating the CO2-equivalent emissions of GHEVs is 
\[ A \times E \times B \times C + [(1 - A \times E \times B) \times D], \]
where:

\[ A = \text{percentage of the vehicles that are operated on electricity from the grid}; \]
\[ E = 0.9; \]
\[ B = \text{percent of miles traveled using electricity from the grid}; \]
\[ C = \text{CO2-equivalent value when the vehicle is operating on electricity from the grid}; \]
\[ D = \text{CO2-equivalent value when the vehicle is operating on gasoline}. \]

Although the CARB regulation is not clear, it appears that grid-connected HEVs are able use a value of 130 g/mi CO2-equivalent when running on battery power (which is the value specified in the regulation for "electric vehicles"). Nothing in the regulation provides guidance on the value of "B." The average value of B will be less than 100% because motorists will not be willing to pay for a combustion engine if it were never used. Nevertheless, a value of 100% can be used to establish a "best case" estimate of the economic feasibility of grid-connected HEVs. One can estimate the battery size required for a grid-connected HEV assuming a relatively short 20-mile all electric range, at 0.34 kWh per mile as the energy requirement for a compact size vehicle. That would require a battery capacity of 7 kWh.

One recent public estimate for the cost of NiMH batteries, provided by the Martec Group, supports an estimate for retail price increase needed to cover the cost of such a battery in a GHEV to be about $7,400. Combined with a 100 kW motor/generator, inverter, brake-by-wire, electric power steering, electric accessory drive, high-voltage wiring system, and weight reduction measures, the total retail price increase to cover the cost for a GHEV would be approximately $16,000.\(^{34}\) This is far greater than the cost of other technologies that CARB has identified as capable of meeting the California standards, and orders of magnitude larger than the increased retail cost to consumers of $367-$1,064 contemplated under the Connecticut Climate Action Plan 2005.\(^{35}\)

The available evidence thus indicates that grid-connected hybrid vehicles will be commercially infeasible for anything other than niche markets that receive substantial public subsidies.\(^{36}\) If the

\(^{34}\) In addition to the Martec-based battery cost estimate, this estimate uses variable costs of $1,225 for a 288v motor/generator, $1,750 for an inverter, $500 for a regenerative braking system, $40 for electric power steering, $70 for electric accessory drive, $300 for high-voltage wiring, and $265 for weight reduction measures. These costs are multiplied by 2.05 to estimate retail price equivalent.


\(^{36}\) Others have claimed that GHEVs would provide economic benefits to motorists because they can be used to store electrical energy and sell it back to the utilities during periods of peak demand. However, analyses of this concept
Department believes that GHEVs will be a significant factor in manufacturers’ compliance plans, it needs to explain why; if not, it should so indicate. To the extent that the Department believes that GHEVs will play a significant role, the Department should explain why the cost estimates presented above are inaccurate or unpersuasive, or why it believes that there will be sufficient public subsidies to support the use of GHEVs.

Response: AAM continues to mischaracterize the GHG emission standards as a fuel economy standard because such characterization would render the CARB rule and its subsequent adoption by other states, including Connecticut, void. Simply restating a GHG emission standard in terms of “miles per gallon” does not create a fuel economy regulation.

With respect to comment 2.b.i: AAM comments that the Department should not defer to CARB’s assumption that GHG control technologies will be deployed nationwide thus reducing the compliance costs in California (and Connecticut). AAM asserts that manufacturers will not produce vehicles for which there is “less demand.” This argument contradicts normal free market systems by equating “less demand” with “no” demand. It makes no sense to assert that because demand drops from 100x vehicles to 94 or 95x vehicles, that a manufacturer would willingly surrender existing market share. As such, the Department should defer to CARB’s findings on this point as stated in the ISOR and FSOR, which are incorporated by reference herein.

With respect to comment 2.b.ii: AAM suggests that, again while lacking its manufacturer-members’ compliance strategies, it is extremely unlikely that any manufacturer who voluntarily over-complies with the GHG standards and generate excess credit will engage in inter-company trading. Again, basic economic principles and the Department’s own experience in the context of stationary source programs contradicts AAM’s claims. At its most basic level, all manufacturers operate to maximize efficiencies. If doing so leads any given manufacturer to over-comply and generate GHG credits, those credits will have economic value. Refusing to realize economic gain from creating value (e.g., GHG credits) is contrary to a manufacturer’s self-interest and the interest of its shareholders. Certainly, as with any new market, it will take time to develop. But such a market will develop – especially given that GHG markets will be developed in the stationary source sector.

With respect to comment 2.b.iii: see the Department’s response to comment VI.B.1.c.

have failed to account for the cost of reducing battery life by exposing it to additional charge/discharge cycles. Those analyses also ignore the effect of charging/discharging efficiency, which would further increase the cost. In addition, the fact that periods of peak electricity demand coincide with peak commute periods means that vehicles will be unavailable to sell power back to the grid.
Comment 3. AAM comments the Department lacks the legal authority to regulate GHG emissions from automobiles and other legal issues presented by the GHG regulation

AAM submitted extensive comments arguing that the Department lacks the legal authority to adopt the proposed regulations and regulate GHG emissions from automobiles. AAM submitted an analysis of the requirements of Connecticut state statutory and regulatory law (including a review of the legislative history associated with Public Act 04-84); and an analysis of federal legal issues including the Energy Policy and Conservation Act, the Clean Air Act, and the Dormant Commerce Clause provisions of the United State Constitution.

Response: The Department consulted with the Office of the Attorney General prior to publication of the public notice for the proposed GHG emission standards. Furthermore, pursuant to C.G.S. section 4-169, the Office of the Attorney General must review all regulations for legal sufficiency before they are finalized. Section 4-169 of the C.G.S. defines legal sufficiency, in relevant part, as the absence of conflict with any general statute or regulation, federal law or regulation or the Constitution of Connecticut or the United States. As such, the Office of the Attorney General, not the Department, will determine whether the proposed regulations are legally sufficient.

Comment 4. AAM comments on the environmental assessment of the GHG rule in Connecticut

AAM comments that proposed rule will have no impact on the climate of Connecticut and that the implementation of the California GHG rule could have the unintended consequence of increasing the risks to motor vehicle safety that are sometimes associated with regulations that mandate significant increases in fuel economy. AAM comments that the administrative record for the proposed rule contains no information relating to the environmental benefits associated with the proposal. AAM recognizes that the Department may be relying upon documentation supplied by CARB for a portion of this justification, such documents necessarily relate to California, not Connecticut. AAM requested copies of any information developed by or received by Department concerning the environmental benefits to Connecticut from the proposed rule. Furthermore, AAM requested the opportunity to comment upon such documentation, apparently, regardless as to whether the public comment period for the proposed regulation has closed.

a. Impact on climate change

AAM comments again that the Department cannot attribute any significant reduction in global warming, or any other discrete impact on climate, to the implementation of the California greenhouse gas rule in Connecticut. AAM also comments that Connecticut’s adoption of the California rule will have little measurable impact on reducing carbon dioxide emissions in the United States. According to the U.S. Department of Energy, the United States emitted 1,832.6 million metric tons of carbon dioxide equivalent "MMTCO2e") in 1999.37 According to the

Connecticut Climate Change Action Plan 2005, implementation of the California rule in Connecticut will result in the reduction of 2.63 MMTCO2e by the year 2020.\(^{38}\)

AAM comments that the Department is proposing to increase the costs cars to consumers and create risks to motor vehicle safety for a reduction of one-tenth of one percent of the greenhouse gas emissions in this country. Simply put, the costs for such an endeavor clearly outweigh any miniscule benefits that the Department may believe that the State would derive from such action. The State's own numbers demonstrate that the reductions being contemplated by the Department are nothing more than a mere drop in the bucket of carbon dioxide emissions in this country.

**b. Safety Issues**

AAM comments that the proposed GHG rule will compromise traffic safety. While commenting that AAM does not know their member-manufacturer's compliance strategies, AAM believes the least-cost method of compliance will result in significant weight reductions in new vehicles.\(^{39}\) AAM comments that reductions in vehicle weight the past been shown to reduce vehicle crashworthiness. AAM submitted documentation in support of their comment from the National Research Council.

**Response:** This comment advances an industry theme, that despite the GHG standards being specifically developed not to cause vehicle downsizing, manufacturers will nevertheless choose weight reduction as one, but not the exclusive, available reduction technique. The safety reference has been the subject of considerable discussion. Some of the background detail not mentioned by the AAM is that, while a heavy truck-based SUV may cause considerable injury to occupants of lighter vehicles involved in an SUV-PC accident, there is also a disproportionate rate of injury and death to heavy SUV occupants in single-vehicle SUV accidents. The immediate-past head of the National Highway Traffic Safety Administration (NHTSA), Dr. Jeffrey Runge, an emergency room physician, was vocal about the trauma he had seen resulting from heavy vehicles. Honda, whose product line has been nearly exclusively devoted to smaller and lighter vehicles, has been an example of a manufacturer making occupant safety devices standard and not optional on their product line. Others, including GM-owned Saab, Ford-owned Volvo, and Daimler-Chrysler subsidiary Mercedes are also well known for integrating safety features in their products, some of which are heavier SUV-like models. CARB's FSOR comments and responses numbered 191 through 193 provide greater detail on this issue. In general, CARB found that weight and size are often confused, as is the function of design. No one element is a guarantor of safety. The GHG standards neither require nor encourage downsizing.


\(^{39}\) An analysis demonstrating why weight reductions would be part of a compliance strategy assuming nationwide deployment was prepared by Sierra Research and filed with CARB in 2004. It is included as an Appendix to these comments. See Appendix D, Attachment C1 17-20.
Comment 5. Economic issues raised by GHG regulation – consumer valuation of future operating cost reductions

The economic assessment of the California rule in the Connecticut Climate Change Action Plan 2005 assumes that the major cost of compliance with the California rule will be confined to the increase in the retail price of a new vehicle, and that future savings from reduced gasoline consumption will exceed the up-front costs for the purchaser of a new vehicle. Also implicit in this economic analysis is an assumption that the only costs incurred by consumers will be reflected in the increased retail prices they must pay for vehicles that meet the California standards. For the reasons outlined below, both assumptions are incorrect and, therefore, warrant careful examination.

In estimating the "pay-back period" over which it predicts that consumers will recover the costs of vehicles designed to meet the California standards, the Connecticut Climate Change Action Plan 2005 assigns a type of private discount rate to the reduced operating costs it attributes to the technologies it identifies. The discount rate assumed by the plan is five percent, the same as in California. If the discount rate is higher than five percent, then the present value of future fuel economy savings would fall.

The peer-reviewed literature indicates that the private discount rate applied in the market for personal-use vehicles is higher than five percent. One of the most detailed empirical studies indicates that "only 35 percent of the present-value cost savings provided by improved energy efficiency is capitalized in the purchase price of vehicles."40 The discount rate used in some of the fuel economy benefit calculations in the National Research Council study published in 2002 was 12 percent.41

In addition, the analysis of the consumer value of the California program appears to assume that Connecticut residents who purchase a new vehicle would retain it for the vehicle’s full service life. Such an assumption is certainly invalid for most new-vehicle buyers. Assuming that a new-vehicle purchaser is behaving rationally, the new-vehicle purchaser will not assume when she is ready to sell the vehicle into the used-vehicle market, the prospective purchasers able to obtain credit at the same loan rate that she can obtain in the new-vehicle market. Particularly in the used-vehicle market, "many automobile purchasers are liquidity constrained, therefore face implicit discount rates higher than the market level."42 She will therefore discount the future value of her vehicle in the used-vehicle market using a rate higher than the prevailing rates in the new-vehicle market, and that rate will be far above five percent.

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42 Kleit et al., "Increasing CAFE Standards; Still a Very Bad Idea" at 4 (Brookings, June 2004).
Finally, the Connecticut Climate Change Action Plan 2005 recognizes that a 16 year life for a passenger car and a 19 year life for a light truck is probably too long given the harsh weather and road salt to which Connecticut vehicles are subject. Therefore, the Connecticut Change Action Plan 2005 estimates that the life of a passenger vehicle and light-duty trucks in Connecticut is 13 years and the life of a heavier truck is 16 years. Accordingly, costs of compliance with the California rule would be increased by 12% for passenger cars and light trucks and 15% for heavier trucks.

Response: As AAM’s comments with respect to “pay-back period” were also submitted to CARB, the Department refers AAM to the discussion on this topic in the CARB FSOR, numbers 247 through 250. It is also important to note that CARB utilized a value of $1.74 per gallon of fuel in their estimates. If the same analysis were performed using today’s fuel prices, the payback period would be dramatically reduced.

Comment 6. Opportunity costs and loss in vehicle utility

AAM comments that the Department needs to account for opportunity costs inherent in lost vehicle utility. AAM comments that the total costs of the proposed rule includes, for example, the value of the foregone purchase a vehicle which may be less fuel-efficient but has other features that a consumer desires more than enhanced fuel efficiency. Such features obviously include vehicle performance, safety, capacity, comfort and aesthetics. AAM comments that consumers who buy a vehicle, but who are forced to purchase technology or other features added or subtracted from the vehicle to meet standards that they would not otherwise prefer, incur costs that are real and quantifiable.

Response: AAM submitted the same comment to CARB. See CARB’s FSOR response to comments 411-413. It is important to note that the California GHG emission standards were developed under specific direction of California Assembly Bill 1493, which proscribed reduction in type, performance, or weight. As CARB noted in their FSOR, “While it is possible that automakers might choose to achieve compliance by making drastic pricing adjustments or reducing existing levels of vehicle performance or drivability, such approaches are highly unlikely. It is more likely, in [CARB] staff’s view, that competitive imperatives will motivate auto manufacturers to achieve compliance by integrating improved technologies, while maintaining or improving upon vehicle performance.” (FSOR at page 255) Furthermore, the recent increase in the price and availability of fuel should dramatically address many of these concerns.

It is also important to note public statements made by representatives of the automotive manufacturing industry, as these statements call into question whether consumers will truly be

44 Id.
faced with additional opportunity costs as suggested by AAM. In a September 20, 2005 Automotive News article, details of the 2007 Suburban, Tahoe, Yukon and Escalade shared-architecture design were released. As standard equipment nationwide, GM will both increase horsepower and improve fuel economy through the addition of cylinder deactivation and six-speed automatic transmissions, while beefing-up the frame, providing greater insulation and adding numerous power-assisted and electronic comfort features. Robert Lutz, GM Vice-Chairman of Global Development was quoted as saying that “while it is still too early to discuss pricing, GM plans to use its ‘Total Value Promise’… that strategy aims to minimize incentives with a lower sticker price and more standard equipment.” On September 22, 2005, Ford Motor Company announced that by 2010 it will have increased its production of hybrid models by 1000 percent to 250,000 units per year, with more than half of the Ford, Lincoln and Mercury lineup having hybrid design, and initiating a program to offset the greenhouse gases emitted in their manufacture. CEO Bill Ford indicated in an employee meeting at the Ford Scientific Research Laboratory that Ford was focusing on hybrid production and aligning its product line with global efforts to reduce carbon dioxide emissions. He was quoted as saying “Innovation in safety, in the environment, in design and in technological solutions to real world problems is going to be reclaimed as our natural birthright. It will be the lens through which we view our budgets and our capital investments, our people and programs, and the way in which we rank our most essential priorities.” See: http://media.ford.com/newsroom/feature_display.cfm?release=21636

There are additional state and federal incentives to promote the purchase of hybrid vehicles. The federal energy policy act of 2005 contains federal income tax credits for the purchase of certain hybrid vehicles. In Connecticut, the purchase of certain hybrid vehicles are exempt from the state sales tax.

The Ford Motor Company (“Ford”) provided the following comments on the GHG provisions set forth in proposed section 36b:

7. Comment:

Ford does not support Connecticut’s proposal to adopt California’s GHG regulations, for the following reasons:

a. The proposed regulations are preempted by federal law. They restrict the amount of carbon dioxide a vehicle may emit, which is directly proportional to the amount of fuel the vehicle consumes. Therefore, this proposal is equivalent to the establishment of new vehicle fuel economy standards for the state of Connecticut. Federal law clearly states that only the National Highway Traffic Safety Administration is authorized to regulate fuel economy. Congress recognized that a patchwork of state-by-state rules would not be a workable approach for regulating fuel economy. Likewise a balkanized approach is not an effective means to address a matter of national or international character such as climate change.
b. The proposed regulations would impose significant costs on society, particularly consumers, dealers, and manufacturers, with no measurable positive impact on air quality, health issues, or global climate change. A system aimed at increasing each manufacturer's corporate average fuel economy, such as this proposal, puts a disproportionate burden on full line manufacturers and manufacturers of specialized vehicles, such as medium-duty passenger vehicles, work vehicles and performance vehicles. Manufacturers will be eventually forced to limit the availability of certain vehicles, which will harm Connecticut's dealers and reduce consumer choice. In exchange for these costs, Connecticut residents would see no perceptible environmental benefits.

c. Connecticut's background documents for this regulation suggest that opt-in states like Connecticut must adopt California's vehicle greenhouse gas regulations in order to keep the California Low Emission Vehicle (LEV) rules. But this is not the case – Connecticut is not required to take California’s greenhouse gas program. This is because the California program for controlling smog-forming vehicle emissions can be segregated from the greenhouse gas program and still be fully functional and enforceable, thereby complying with the "identicality" requirement of the Clean Air Act. Other states have chosen not to adopt the zero emission vehicle program, or "ZEV mandate" portion of the California LEV program, but they continue to administer the rest of the LEV program. Like the ZEV mandate, the greenhouse gas regulations are severable from the LEV program, and their adoption is not necessary for Connecticut retain the LEV standards for tailpipe pollutants.

Ford commented that they chose not to submit a more detailed analysis of the costs and benefits of various fuel economy technologies, and the impact of attempting to apply those technologies to Ford’s fleet of vehicles because the Department, in accordance with Connecticut Administrative Procedures Act (C.G.S. section 4-168 et. seq.) cannot accept confidential information and maintain its confidentiality. Ford commented that this position is not conducive to gathering all of the relevant facts, especially in the context of developing highly technical rules to be applied to a highly competitive industry and notes that other states have procedures in place to accept and review confidential information in the context of a rulemaking proceeding.

Ford noted that they are a member of the Alliance of Automobile Manufacturers (AAM) and participated in the development of the AAM’s comments along with the other members: BMW Group, Daimler Chrysler, General Motors, Mazda, Mitsubishi, Porsche, Toyota and Volkswagen. This document incorporates the Alliance comments by reference.

Response: a. The Department’s response to comments on its legal authority to adopt the proposed GHG emission standards are set forth in part VI.B.3. The Department does not agree with Ford that the proposed GHG emission standards, that may be adopted by as many as 12 states representing 30% of the United States automotive market is a “balkanized” approach to regulating motor vehicle GHG emissions.

b. The Department notes Ford’s mischaracterization of the proposed GHG emission standards as
an attempt to regulate fuel economy and has responded to this comment above. See response to comments VI.B.1-6. Furthermore, the Department finds Fords assertion that “manufacturers will be eventually forced to limit the availability of certain vehicles” not to be credible given recent public statements made by Ford. See response to comment VI.B.6, above.

c. As stated earlier in this report, the Department is required, by the express terms of C.G.S. section 22a-174g to amend its LEV regulations from time to time in accordance with changes adopted by the State of California. The Department is authorized by CAA section 177 to adopt CARB’s emission standards and if a state chooses to do so, its standards must be identical to California’s emission standards. Ford’s interpretation of CAA section 177 is not supported. The Department agrees with Ford regarding the submission of confidential information in the context of a rulemaking proceeding. However, the Department is constrained by the provisions of the Connecticut APA and FOI statutes. The Department could not legally withhold from public disclosure the documents that Ford sought to submit. Resultantly, Ford chose not to submit such information. The Department should support a change to the Connecticut APA that would allow it to accept confidential information and maintain its confidentiality in the context of a rulemaking proceeding.

**General Motors (GM) provided the following comments on the GHG provisions set forth in proposed section 36b:**

8. **Comment:** GM notes that many of the comments in their submission were previously provided to CARB in the course of its rulemaking process, as well as to other states considering adoption of the California regulation. GM commented that it is important for DEP to make an independent assessment of the issues presented by the CARB rule, because there are many flaws in the California regulation as well as the technical analysis that was performed by CARB to justify that regulation. Several of these flaws are so severe that they put the regulation in violation of federal law, as well as in violation of California law, and these violations are being challenged in court. This submission also includes new information developed subsequent to the California rulemaking and adapts certain comments to conform to circumstances specific to Connecticut.

GM commented that they strongly oppose adoption of the proposed rule for the reasons noted below and in the comments submitted by the Alliance of Automobile Manufacturers (AAM). GM supports and incorporates by reference the AAM’s comments. GM also commented that they agree with the conclusions concerning the environmental effects of the California rule in Connecticut that are presented in the separate comments filed with DEP by Sierra Research, Inc. GM also incorporates the Sierra Research, Inc. comments into their comments by reference.

GM believes the proposed regulation will impose substantial costs on Connecticut consumers that far exceed any perceived benefits, and will not improve the quality of the environment in Connecticut or elsewhere. Among the regulation's many additional flaws, it will create gross
competitive inequities that advantage certain automobile manufacturers while penalizing GM and
the other domestic manufacturers, and it fails to comply with the requirements of federal law. Adoption of this regulation by Connecticut will result in restrictions in the number and types of
new vehicles that GM will be able to offer their dealers for sale in Connecticut. Product
restrictions and higher vehicle prices will lead to large U.S. employment losses. Consequently,
GM urges the DEP to use its discretion under the Clean Air Act and not adopt the separate and
severable California GHG regulation.

a. GM comments on the regulatory background

GM believes that adopting the California regulation would place Connecticut and any other State
adopting the California rule in the business of regulating motor vehicle fuel economy. GM noted
their support of voluntary, consumer-oriented programs intended to address the issue of
greenhouse gases, but not regulatory programs like that adopted by California, which conflict
with federal regulation. GM pointed to a voluntary agreement with the Canadian government as
a potentially promising voluntary program to reduce GHGs. GM provided additional
information on the Canadian voluntary agreement.

b. GM comments on fuel economy and carbon dioxide

The primary greenhouse gas emission from motor vehicles is carbon dioxide. GM commented
that regulating carbon dioxide at the levels of stringency required by the California rule is
tantamount to regulating fuel economy. GM notes that fuel economy is measured most precisely
by measuring tailpipe emissions of CO2 and calculating the amount of fuel burned based on a
carbon balance equation. As such, GM believes that the California greenhouse gas emissions
standards are preempted under federal law.

c. GM comments of federal CAFE regulations

The Corporate Average Fuel Economy (CAFE) program established by the Energy Policy and
Conservation Act of 1975 (EPCA) requires the National Highway Traffic Safety Administration
(NHTSA) to set maximum feasible fuel economy standards when setting annual truck CAFE
standards and when amending the car CAFE standard set by Congress. The regulatory process to
establish CAFE standards is required under EPCA to consider technical feasibility, economic
practicability, and the impact of other regulations and the need of the nation to conserve energy.
Impacts on traffic safety and U.S. employment are also evaluated. An extensive process
accomplishes these goals through careful consideration of detailed submissions by automobile
manufacturers and an appropriate period for public comment. GM believes that DEP should be
concerned that, given this process and NHTSA's 30 years of experience with fuel economy
regulations, CARB's evaluation of "maximum feasible" fuel economy levels is so radically
different than evaluations over many years of "maximum feasible" levels by the U.S.
government.
Unlike some of its foreign competitors, GM has always complied with federal CAFE standards and has therefore never paid a fine for CAFE noncompliance. However, as gasoline prices declined in the mid-1980’s, compliance became very difficult and costly for CAFE constrained manufacturers that produced vehicles for the full range of market segments. Because GM was historically especially successful in segments for larger cars as well as larger trucks, CAFE became most constraining on GM. Even though we lead in more model-to-model fuel economy comparisons of comparable vehicles than other manufacturers, our sales mix often leaves us with fleet average fuel economy uncomfortably close to the CAFE standards.

For example, in model year 2004, GM had higher fuel economy in 39 of the 60 passenger car model-to-model comparisons in which GM had a similar model competing against other manufacturers, representing higher fuel economy in 65% of the direct comparisons of similar vehicles. In the light truck segments in which GM competed, GM had the best 2004 model-to-model fuel economy in 38 out of 62 comparisons, winning 61% of the matchups. Despite this, GM’s domestic passenger car CAFE of 29.0 mpg and light truck CAFE of 21.2 mpg were below the industry averages, based on the most recent reports from NHTSA (NHTSA Summary of Fuel Economy Performance Report, March 2005).

While GM notes their struggle to maintain CAFE compliance, GM believes that manufacturers who previously specialized in smaller vehicle segments were given a competitive advantage that they exploited aggressively. Aided by this competitive advantage, these manufacturers expanded rapidly into larger vehicle segments. GM believes this dynamic will be repeated in this rulemaking, to the detriment of employment in Connecticut and elsewhere in the U.S. The California greenhouse gas standards are grossly unfair to GM in particular, because GM continues to have the heaviest fleet average weight due to the mix of vehicles purchased by our customers, coupled with the much more lenient standards applied by California to certain of our competitors, as described below.

For perspective, GM notes that larger light duty trucks (above 4,900 lbs. curb weight but below 8,500 lbs. GVWR) represented 40% of their truck sales in 2002 model year, and GM had a 55% market share in this category. In that year, GM notes that 100% of their light duty trucks were assembled in North America, with an average domestic content of 90%, which was the highest in the industry. Although foreign-based competitors have exploited CAFE advantages to expand into larger vehicle segments somewhat, and although they have established some U.S. manufacturing facilities, dramatically higher fuel economy standards such as those created by the California greenhouse gas regulation would repeat the mistakes of the past by disadvantaged domestic producers and harming overall U.S. employment.

d. GM favors collaborative voluntary programs such as that noted in the Canadian Memorandum of Understanding (MOU)

As indicated above, the California rule stands in sharp contrast to collaborative, government-industry voluntary programs that deal more realistically with the issue of greenhouse gases. On
April 5, 2005, GM and other companies in the Canadian automobile industry voluntarily signed a MOU with the Government of Canada that is intended to reduce GHG emissions in the auto sector by 5.3 million tons of CO\textsubscript{2} equivalent in 2010, compared to the "reference case" forecast of national greenhouse gas emissions in 2010 that the Canadian government estimated in 1999. The agreement includes all greenhouse gases from vehicles, including carbon dioxide (CO\textsubscript{2}), nitrous oxide (N\textsubscript{2}O), methane (CH\textsubscript{4}) and hydrofluorocarbons (HFCs).

GM commented that the MOU differs in important respects from the California regulation. It builds upon a long history of many successful, similar voluntary Canadian industry-government programs. The MOU is voluntary, nationwide and auto industry wide, and it is consistent with other voluntary auto industry efforts to reduce GHG emissions. In contrast, the California regulation creates sharply different regulatory obligations for different manufacturers, and brings myriad regulatory burdens associated with a regulatory program.

GM also notes that the specific elements of the Canadian MOU are suited to the Canadian market. The MOU meets the government's target for auto sector emissions needed for compliance with the Kyoto Protocol, which Canada has ratified. Because of its unique attributes, it does not lend support to the California regulation or to more stringent U.S. CAFE standards. Indeed, Canada considered vehicle greenhouse gas regulations in Parliament in 2005 and rejected the regulatory approach.

While continuous and voluntary improvements in fuel economy are one component of the agreement, and a variety of factors already leads to a more fuel-efficient sales mix in Canada, the agreement is not expected to require vehicle fuel economy increases beyond the rate of increase in the U.S. market. This rate of increase is far less than would be required by the California regulation. The 1999 Canadian "reference case" forecast that forms the baseline for the MOU was developed using assumptions that were described as "conservative" -- where "conservative" means that the reference case forecast tends toward high emissions estimates. The industry is believed to be on track to outperform those forecast assumptions in Canada, but the California standards far exceed industry technical capabilities. The MOU is not expected to require vehicles in Canada that are different from vehicles sold in the U.S., nor is it expected to require major changes in vehicle pricing or sales mix, including the cancellation or restriction of certain vehicle models in Canada. In contrast, the California regulation is expected to result in each of those adverse outcomes.

e. GM comments on regulatory compliance issues

Although GMs' comments to CARB opposed the adoption of the greenhouse gas rule, GM noted they also offered extensive information to CARB on specific regulatory issues and problems that were created by their regulation. Because CARB made no adjustments to correct these problems, this section is repeated for DEP so that it can understand the compliance issues.

i. Differential Treatment of Manufacturers
The California regulation applies stringent requirements on the six largest automakers beginning in 2009 model year (MY), but would delay any requirements on small and mid-sized manufacturers, with annual California sales under 60,000 vehicles, until seven years later, in 2016 MY. The requirements that would be imposed on these smaller manufacturers in 2016 would remain much less stringent than the regulations that apply to larger manufacturers, with the mid-sized manufacturers given a choice of meeting the standard that had applied to comparable vehicles from their larger competitors in 2012 or, if easier, meeting a percentage improvement target applied to their 2002 baseline fleet average.

The companies that currently fall under the 60,000 vehicle threshold based on California sales include major global competitors such as Volkswagen and BMW that have no inherent weaknesses that would justify this degree of regulatory preference. In addition, new entrants are expected in the U.S. automobile market from emerging economies such as China and India. These new entrants would be handed a huge competitive advantage to help them become established in the U.S. market. The seven-year holiday from greenhouse gas standards coupled with permanently less demanding requirements provide an overwhelming competitive advantage and are grossly unfair to GM and the other domestic manufacturers.

ii. Equity Ownership Provision

The California regulation requires that automobile manufacturers be grouped together for compliance purposes in cases where one company has at least a 10% equity ownership interest in the other, or in cases where a third party owns at least 10% of the equity in two or more automobile manufacturers. This provision would affect several GM business relationships. The 10% threshold is far below the level that would normally be considered necessary to give any significant degree of management control in a company. Yet the experience with federal CAFE regulation has shown that tight control of product design decisions, pricing, production scheduling and many other areas of business decision making is required to manage fleet average fuel economy.

Indeed, comprehensive coordination with these companies in some areas such as the numbers of vehicles offered for sale in Connecticut and product pricing could potentially be unlawful. Yet comprehensive coordination would be necessary to manage fleet average emission levels.

In addition, publicly owned corporations have no control over investor trading in their own shares which could trigger the third party provisions of the regulation. Because of these equity ownership provisions, sudden, unexpected situations could develop that put manufacturers out of compliance with the regulation through developments that are not within the control of the manufacturers.

The 10% threshold is so low that a situation could be created where multiple automobile manufacturers would be required to include the vehicles from another manufacturer in their
fleets. This situation could develop, for example, if two large manufacturers each owned over 10% of a third manufacturer. The equity ownership provisions apply a huge penalty to any smaller automaker in which GM invests. This creates a significant barrier to GM’s ability to create normal business alliances and collaborations worldwide, to the detriment of GM’s ability to compete in all markets worldwide and to meet the needs of our customers.

iii. Commercial Vehicles

California makes no realistic provision in its regulation for continued availability of commercial vehicles. Initially, the CARB justified this omission with the claim that sales of commercial vehicles are "a small portion of the light duty fleet". GM believes this is untrue. In a subsequent action, CARB clarified that vehicles in the Option I LEV II NOx category are exempted from the greenhouse gas regulation. In its commentary, CARB stated, "this post-hearing modification clarifies the original intent of the proposal, which is to exempt light-duty work trucks from greenhouse gas emissions requirements." (p. 14, October 19 CARB Proposed Modified Text)

GM has never produced a vehicle in this category and, to our knowledge; the only vehicle ever produced in the Option I LEV II NOx category has been a single low volume variant of the Ford F-Series pickup. This near absence of vehicles in that category is inherent in the design of the criteria for the category -- vehicles must be LDT2 trucks having a base payload of 2,500 lbs. or more, yet not exceed 8,500 lbs. Gross Vehicle Weight Rating. This implies that the unloaded, curb weight of those trucks cannot exceed 6,000 lbs. (8,500-2,500). Yet trucks built sturdy enough to carry a load of at least 2,500 lbs. usually weigh more than 6,000 lbs. curb weight. It should be noted that 2,500 lbs. payload is a heavy payload, so that only a small proportion of the current sales of pickup trucks provide such high capability, and these trucks are all classified as medium duty vehicles that are typically exempted from the greenhouse gas regulation without the use of the Option I LEV II NOx exemption. But the vast majority of light duty trucks, as well as passenger cars, that are currently used in commerce receive no exemption or special consideration whatsoever in the California regulation.

Because the Option I LEV II NOx exemption applies to virtually no current work trucks, CARB’s claim that it exempts work trucks from the greenhouse gas regulation is false. In order to fit into this category, the curb weight of current medium duty trucks need to be reduced below the 6,000 lbs. curb weight threshold (if possible without sacrificing payload), which would violate the mandate of the California law that the regulations not require "a reduction in vehicle weight" (as well as CARB’s claim that they do not require weight reductions).

In addition, the Option I LEV II NOx provisions limit the vehicles in this category to 4% of a manufacturer’s LDT2 truck fleet sales. Even if the aforementioned problems with this exemption did not exist, this 4% restriction on sales volume is sufficient to nullify the claim that work trucks are exempted from greenhouse gas regulations by the Option I LEV II provision. Customer usage and customary industry practice would indicate that far in excess of 4% of current LDT2 sales warrant the term "work truck".
GM believes it is highly misleading for CARB to claim that work trucks are exempted from the greenhouse gas regulations when virtually no current or past vehicles would qualify as work trucks under their definition, and no more than 4% of full-size, light-duty truck sales would ever be allowed to be classified under the CARB work truck exemption.

iv. Alternative Compliance Mechanisms

California's motor vehicle greenhouse gas law (AB1493) expressly requires regulations that "provide flexibility, to the maximum extent feasible". It is sensible to pursue perceived environmental benefits at the minimum cost possible. In interpreting this provision, however, CARB created flexibility mechanisms that are sharply limited in order that they would play a "minimal role". Connecticut proposes copying that approach. The same philosophy of sharply limited potential availability was applied to early action credits. From a realistic standpoint, this provides essentially no compliance flexibility to protect the Connecticut automobile market from costly and disruptive market distortions.

v. Greenhouse Gas Emission Test Vehicle Selection

CARB created an approach for selecting test vehicles for determining the CO2 equivalent emissions (CO2E) fleet average that is based on testing worst-case vehicle configurations. As a result, a manufacturer's CO2E fleet average will be over-estimated by a wide margin. To achieve a CO2E fleet average representative of the true average, a manufacturer would need to test all vehicle configurations. The result is that hundreds more vehicle tests would be required at GM annually beyond current testing requirements. Furthermore, CARB based its standards on a "maximum feasible" analysis of data based on representative vehicles (using the NHTSA CAFE database, which has the high volume configurations), so that requiring manufacturers to comply using worst case vehicles creates a condition whereby the standards automatically are beyond CARB's estimation of maximum feasibility unless all vehicle configurations are tested.

Response: a. and b. With respect to comments 8.a. and b.: see the Department’s response to comment VI.B.3. above.

c. The commenter offered a very detailed explanation of federal fuel economy standards and the commenter’s compliance status with respect to such standards. The statement did not contain any comments directed to the Department on the adoption of the proposed regulations.

d. The commenter offered their support for voluntary GHG emission reduction programs akin to the recent agreement entered into with the Canadian Government. The statement did not contain any comments directed to the Department on the adoption of the proposed regulations.

e. Response to GM’s regulatory compliance issues. (i) With respect to GM’s concern over differential treatment of manufacturers, the Department is only authorized to adopt California’s
emissions standards and cannot address specific applicability issues. GM, as a large volume manufacturer, will be treated similarly to all large volume manufacturers. It is interesting to note that GM expresses concern about potential new foreign automakers from countries like China—that recently adopted their own GHG emission standards. (ii) With respect to equity ownership provisions, GM’s concerns seem unwarranted since this provision is used to define “intermediate volume manufacturers” and GM is a large volume manufacturer. See also, CARB’s response to this issue, comment 537 in the ISOR. (iii) With respect to commercial vehicles, the Department understands GM’s comment to mean that since GM has never produced a vehicle that would qualify for the CARB commercial vehicle exemption, the CARB exemption is misleading and unworkable. The Department is unable to address GM’s concern in this instance. (iv) With respect to GM’s concerns about alternative compliance mechanisms, see the Department’s response to comment B.VI.2.b.ii. (v) As it is unlikely that the Department will require vehicle specific testing in Connecticut to determine CO2E emissions, the Department should not address the vehicle-configuration methodology adopted in California.

9. Comment: GM comments on CARB's Analyses

a. Overview

GM noted that they have evaluated strategies for compliance with the California regulation in view of the short lead-time until the first requirements in 2009-2011 model year and the rapid rate of increase in the stringency of the standards through 2016. Technical and financial resource cadence constraints mean that a manufacturer can only update 16 to 20% of its product lines in a single year, and engineering lead times require that work on 2009 model products already be underway. These evaluations show that, even with an immediate crash program to implement the most expensive and cost-ineffective technologies, compliance with the California regulation requires severe restrictions in the product lines provided to dealers in the states subject to this regulation, both in the initial years of the rule and in later years.

The vast disagreement between GM compliance planning and CARB’s determinations comes about through a variety of flaws in CARB’s engineering and financial evaluations. GM offered the comments below to CARB on the CARB engineering and financial analysis in their Initial Statement of Reasons (ISOR), which provided the technical justification for the regulation. GM follows their comment with a critique of technical analysis released by CARB in which two GM vehicles, a Buick LaCrosse and Chevrolet Silverado, are specifically evaluated for their fuel economy improvement potential.

To the extent the DEP’s proposed adoption of the California GHG rule is predicated on these fatally flawed CARB findings, as discussed in the next section, the DEP proposal for Connecticut is similarly flawed. Accordingly, the DEP proposal should be withdrawn, and Connecticut should align itself with the federal regulatory programs related to emissions and fuel economy.
b. Retail Price Equivalent

CARB initially relied on an interim report by the Northeast States Center for a Clean Air Future (NESCCAF) issued in March 2004 as the basis for its financial and technical analysis, although CARB made significant adjustments to the NESCCAF estimates. (Note that the final NESCCAF report released in September 2004 did not materially change from the interim report, and the following discussion based on the interim draft therefore still applies.) CARB inappropriately used the NESCCAF report with the result that significant degradations in vehicle performance in the NESCCAF computer simulations were overlooked, significant categories of costs were omitted, and the costs to consumers of the California regulation were significantly underestimated.

The NESCCAF report explains its cost estimates, compiled by the Martec consulting group, as follows (NESCCAF, p. II-17):

"As noted at the outset of this section, Martec's cost estimates do not attempt to capture all costs to the manufacturer of incorporating new technologies, nor do they include estimates of cost impacts at the consumer level as reflected in the purchase price of a new vehicle. Additional manufacturer-level costs that were not captured in this analysis but that could be associated with the use of new technologies include:

- Engineering costs, including advanced R&D, vehicle design and development engineering for integrating new technologies and software development;
- Warranty and possible recall costs;
- Factory capital costs associated with vehicle-level technology changes;
- Manufacturing costs for powertrain or vehicle assembly.

The costs described by Martec represent an estimate of the cost to the manufacturer for the hardware needed to incorporate a given GHG-reducing technology on a high-volume production vehicle. Associated system-level material content such as wires, control module drivers, etc. are included in these estimates - if purchased from a supplier, these all represent a variable cost to the automaker. However, the estimates do not necessarily capture the complete set of variable costs that might be associated with the introduction of new technologies - for example, applying some technologies might require body and chassis redesigns that would in turn incur additional costs."

This cost methodology is also described in discussing mobile air conditioners:

"In accordance with the costing methods for other portions of this study, alternative A/C system costs include only the high volume variable costs of
components and do not consider the fixed costs of system introduction (e.g., engineering, and any incremental production, manufacturing, or assembly plant costs)." (NESCCAF Appendix D-20)

These descriptions make clear that important whole categories of cost have been excluded from the estimates supplied to NESCCAF by the Martec consulting group. More precisely, the Martec assessments comprehend the price that an automobile manufacturer such as GM would pay to a component supplier to purchase the component hardware to implement these technologies. However, the costs to an automobile manufacturer to implement a technology only begin with the purchase of component hardware. There is usually additional assembly labor and related costs in our powertrain factories and our vehicle assembly factories -- costs that are specifically mentioned in the NESCCAF report as not comprehended (NESCCAF p. II-17). In addition, there are often significant vehicle integration costs specific to each technology/vehicle combination that involve engineering the technology onto the vehicle, and possibly modifying other hardware on the vehicle. In essence, the analysis on which CARB and DEP rely to justify the adoption of the greenhouse gas rule is inherently flawed, and it grossly underestimates the cost of that rule to Connecticut citizens.

Furthermore, the technologies analyzed in these studies cover a wide range of dissimilar items, and one cannot generalize with precision about their specific implementation cost structures. A program to evaluate implementation by an automobile manufacturer would always involve much more specific attention to the details of implementation of each technology onto a specific engine or transmission, in a specific set of powertrain factories, applied to specific vehicles with their own unique implementation/integration issues, etc. Warranty costs would be estimated based on experience and expectations for each technology on a case-by-case basis. In short, there would be specific engineering and financial attention to the cost categories that were ignored in the NESCCAF and CARB analyses.

Without offering an analysis, NESCCAF and CARB apply a "retail price equivalent" (RPE) mark-up of 40 percent" (NESCCAF p. II-24, ISOR p. 80) to convert the Martec supplied costs into the price paid by consumers. This 40% RPE factor is of tremendous importance to this analysis since it must account for all the engineering, investment, labor, material, overhead and other manufacturing costs not comprehended by Martec, as well as service and warranty costs, automobile manufacturer profit to achieve an adequate return on investment, costs and profits in the distribution network, especially the dealership markup, and any other items.

Examination of these sources reveals that the EPA paper offers no justification for the 1.26 RPE factor, simply asserting that it is used "when implementing new emissions regulations" (ISOR, p. 65) and "in regulatory development, EPA uses a retail price equivalent mark-up factor of 1.26 to adjust a manufacturing price increase to a retail price increase. This factor accounts for manufacturer overhead and profit" (p. 63). An examination of GM's cost structure reveals that 1.26 is far too low to fill that role.

The ANL paper offers an analysis of RPE factors from three sources, ANL, Energy and Environment Analysis (EEA), as quoted in a 1995 report from the U.S. Office of Technology Assessment, and a 1996 presentation by an automobile company executive, Chris Borroni-Bird, at a technology conference. The ANL RPE's derived from these sources are as follows:

<table>
<thead>
<tr>
<th>Multiplier for</th>
<th>ANL</th>
<th>Borroni-Bird</th>
<th>EEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-House Components</td>
<td>2.00</td>
<td>2.05</td>
<td>2.14</td>
</tr>
<tr>
<td>Outsourced Components</td>
<td>1.50</td>
<td>1.56</td>
<td>1.56</td>
</tr>
</tbody>
</table>

The difference between the "in-house component" RPE and "outsourced component" RPE is that, for the case of outsourced components, ANL removed from the RPE costs for freight, warranty, amortization and depreciation, and engineering. ANL assumed that, for outsourced components, the supplier would incur these costs. However, the Martec cost estimates that form the basis of the NESCCAF and CARB analyses do not include these costs in the underlying technology cost estimates -- costs such as warranty and engineering are specifically mentioned as excluded, as are large pieces of the required capital investment that forms the basis for depreciation and amortization. Therefore, the RPE's of approximately 1.5 calculated for outsourced components are not applicable to the cost estimates provided by Martec, even if the components were ultimately outsourced. The higher RPE's of 2.0 or above would apply, in this ANL analysis, to a cost basis that did not include warranty, etc., with the difference between 1.5 and 2.0 covering these categories of cost.

Based on an analysis of GM cost structure and supported by the ANL study, ARB should have used a retail price equivalent factor of not less than 2.0 for this analysis. This would increase CARB's cost assessment by approximately 50% and would change their estimates of the economically feasible emissions standards significantly. CARB's use of a 1.4 RPE results in the omission of significant categories of manufacturer costs, and substantial underestimation of consumer costs related to the proposed regulation.

NESCCAF released to CARB its final report on September 23, 2004 at the CARB hearing to approve the greenhouse gas regulations. NESCCAF's final report uses the same 1.4 RPE factor, but cites the 2002 National Research Council's report on "Effectiveness and Impact of Corporate Average Fuel Economy Standards" (NRC p. 41). The NRC report, in turn, cites a 2001 report by Energy and Environment Analysis, Inc. as the basis for the 1.4 RPE number. (The report is "Technology and Cost of Future Fuel Economy Improvements for Light Duty Vehicles").
However, the value of 1.4 cannot be found in the EEA document cited. Indeed the EEA report supports use of higher RPE factors than 1.4. (EEA p. 2-5)

Further, the EEA report lays out in detail its cost methodology, which makes clear that the RPE factors it presents are intended to be applied to a cost basis that already includes detailed assessments of major categories of cost such as engineering expense, tooling, and facilities expenses. The EEA report also describes the tiers of costs going from suppliers to automobile manufacturers through the auto dealers (p. 2-5). NESCCAF and CARB's analyses omit major categories of costs by taking an RPE developed to be applied on top of a broad cost basis, and then applying it to a narrow cost basis that omits many of the major cost categories. Also, NESCCAF and CARB apply the RPE to supplier costs (Tier 1 of EEA p. 2-5), and ignore the automobile manufacturer's costs laid out in EEA Tier 2. The cost numbers supplied by Martec to the NESCCAF study clearly are not prepared on an accounting basis that would justify use of an RPE so low as 1.4.

GM comments that DEP must make an independent assessment of the CARB and NESCCAF analyses, and cannot simply “rubber stamp” those analyses. To the extent that DEP concludes that those analyses have any merit, DEP must fully explain why it is choosing to rely on the CARB and NESCCAF analyses, and any reasons it may have for not accepting the points outlined above demonstrating why those analyses are not entitled to support or use by DEP.

c. Cost Omissions

GM notes that the cost estimates used in the NESCCAF report were given with numerous caveats, as noted in Attachment B of the NESCCAF interim report. For example, an upgrade to a 42-volt electrical system is noted as needed for electric power steering for large trucks and electromagnetic camless valve actuation. Upgraded batteries are needed for the motor assist and start-stop hybrid systems. Increases in transmission torque capacity are noted as potentially needed but not specifically modeled for diesels and turbocharged engines. Modifications to base engine components are excluded for direct injection systems and noise vibration and handling (NVH) modifications are excluded for cylinder deactivation.

Automated manual transmissions are noted to have no North American capacity. This is an important caveat in view of the major investment and other costs associated with changing over capital-intensive transmission factories. The CARB report states a belief that "transmission suppliers would absorb the bulk of investment costs, not the vehicle manufacturers" (ISOR, p. 85), but this overlooks the reality that all expenditures are ultimately borne by consumers. It is noted that continuously variable transmission (CVT) costs are based on a competitive component sourcing environment without major licensing cost additions and high volumes -- none of which are realistic assumptions given the status of this technology. In addition, there are numerous instances of additional costs for vehicle integration that would be expected for these new technologies that are not specifically noted by NESCCAF.
The presentation of this list of cost omissions and simplistic assumptions in Attachment B of the NESCCAF report reveals that the authors were aware that important cost issues were being excluded from the analysis. Yet not only did CARB not compensate for these omissions, CARB added the unrealistic assumption that the NESCCAF costs for several "emerging technologies" would be reduced another 30%. The NESCCAF report states, "Martec assumed that at least three high-volume automakers would use each technology at volumes of at least 500,000 units per year and at least three competing suppliers were available to supply each automaker for each technology. This would create a highly competitive purchasing environment that would drive prices and costs to competitive levels" (NESCCAF p. II-18). The Martec estimates reflect "fully learned, high volume production of current technology designs" (NESCCAF p. II-18). Thus, learning curve effects are already incorporated in the NESCCAF costs. The NESCCAF report only allows, "to the extent that basic scientific advances in design or manufacturing do occur, future costs may be lower than estimated" (NESCCAF p. II-18). Yet costs in the relevant time frame would not be "fully learned", they would be at much higher levels reflecting introductory conditions for new technologies. Costs would reflect transitional investment and cost issues that have been omitted from the ARB analysis.

It is likewise unrealistic to factor in a 30% reduction beyond the fully learned, high volume levels based on a possibility of "basic scientific advances in design or manufacturing" (NESCCAF, II-18). Basic scientific advances are by nature not predictable and usually develop and progress toward implementation over long time frames. Reliance on basic scientific advances is in conflict with the technologies being available in the near or mid terms. Furthermore, given the pace of new technology introductions and replacement laid out by CARB in its technical justification, it is questionable whether maturation of technologies to "fully learned" levels might ever occur. The expected rate of change is simply too fast and disruptive, and expected product lifetimes too short, with new technology packages forced across the fleet in four year waves moving from the near term technologies in 2009-2012, to mid term technologies in 2013-2016 to, presumably, long term technologies described in the CARB technical analysis in 2017. Indeed, the shortened product lifecycles implied by this progression are not consistent with normal cost levels or rates of return, where powertrain technologies such as new engines or transmissions need useful economic lives of 10-20 years to be economically justifiable. Such premature obsolescence is a major cost of government regulations for a capital-intensive industry such as automobile production; it is often overlooked in the financial analyses of proposed government regulations, to the detriment of the industry, its consumers, suppliers and employees.

d. Incorrect 2009 Baseline Forecast

NESCCAF shows a 2009 forecast that continues with OHV engines as the "dominant" technology for large trucks and minivans, among the five segments analyzed (Table II-4, p. II-7). While this representation is a simplification, it accurately reflects that OHV engines will continue to exist in large penetrations in 2009, especially among trucks. However, CARB's technology packages require conversion of all engines to overhead camshafts. CARB's cost adjustment for this change is far too low.
GM commented that CARB incorrectly applied anticipated fuel economy improvement factors to vehicles that either already have the technologies in the 2002 baseline, or which are not applicable for the technology. An example is to apply a fuel economy improvement factor for improved automatic transmissions to all vehicles, even though significant numbers of vehicles have manual transmissions that cannot be improved in this fashion or to this degree.

e. Mobile Air Conditioning

GM commented that CARB inappropriately incorporated possible mobile air conditioning (MAC) improvements to increase the stringency of the GHG standard based on a mistaken view of the applicability of the flammable alternative refrigerant R-152a. GM commented that they have been a leader in exploring alternative refrigerants through the Society of Automotive Engineers Alternative Refrigerant Cooperative Research Program as well as independent research with our suppliers. It is not clear to GM whether R-152a will be judged acceptable. Neither is it a simple drop-in replacement for R-134a (contradicting the NESCCAF analysis Appendix D-20). GM believes that R-152a faces significant development issues, especially regarding its safety. If implemented, it would add costs for the required safety modifications.

CARB’s assumption that manufacturers "will be converting to HFC 152a systems in the mid term" (ISOR, p. 107) is unwarranted and unduly speculative for a technology that is still at R-152a’s stage of development. CARB should not have relied on a technology that has not even been demonstrated to any significant degree in test fleets as the basis for setting regulatory standards.

f. Fuel Economy Technology

CARB substantially overestimated the fuel economy improvements that would be expected to result from many of the technologies included in its technical justification. In order to better understand the results, we conferred with the analysts from the AVL engineering consulting group that performed the technology simulations for NESCCAF that CARB, in turn, used as the basis of much of its analysis. Following are some perspectives resulting from those discussions.

i. Vehicle Integration

GM comments that integrating fuel economy technologies into a vehicle involves a balance of all the performance attributes (tailpipe emissions, acceleration drive quality, noise and vibration, steering feel and response, ride and handling). In many cases, simultaneously meeting all vehicle performance requirements results in deteriorated fuel economy benefits and higher costs for a fuel economy technology. Benefits of a technology described in the public literature, by component suppliers, or produced by sub-systems simulations typically do not consider the integration and balancing issues required to completely integrate a technology into the vehicle. A major reason for CARB’s overestimation of vehicle fuel economy potential is a disregard for this
critical issue. Some examples include: the acceptable range of operation for cylinder
deactivation to meet noise and vibration requirements, the additional exhaust and other noise
canceling treatments needed to offset higher engine noise of a deactivated engine operating under
high load or a downsized turbocharged GDI engine running at higher engine speeds.

ii. Automated Manual Transmissions

The use of automated manual transmissions with dual wet clutches (AMTs) is nearly universal in
the configurations that were used by CARB to set the standards. So the standards are highly
dependent on the results projected for these types of transmissions. There are some significant
issues with both the benefits analysis and the applicability of these types of transmissions:

- All of the AMT benefits are miscalculated due to the omission of important transmission
  losses. The June 2004 draft of the ARB report briefly described AMT technology, but did
  not go into any detail regarding clutch design. The analysis done by AVL assumed
  manual transmission efficiency values and only an added 15-Watt electrical load meant to
  represent gear-shifting-actuator loads. Neither transmission spin losses nor clutch actuator
  losses were accounted for in the AVL analysis. AVL has indicated that their analysis was
  specifically for dry clutch AMTs. However, in the August 2004 ISOR, the AMT
  description (but not the analysis) was revised to include dual wet clutch designs in the
  AMT technology. Such a clutch design includes a hydraulic actuator pump that consumes
  significant energy, and according to LuK (AVL’s source for AMT information) would
  result in a 4-6% lower drive cycle efficiency (ref. LuK presentation at SAE’s Emerging
  Transmission Technologies TOPTEC in August 2003) than the dry clutch configuration
  analyzed by AVL. This loss is not included anywhere in the analysis, and its omission
  contributes significantly to the benefit claimed for transmission technology used to
determine the standards.

- Some vehicle segments have seamless transmission operation as an important marketable
  requirement. These types of transmissions are simply not smooth enough for those market
  segments. Yet they are assumed to be applied in every vehicle segment.

- Single-clutch AMT’s are not an acceptable alternative in the U.S. market. With an
  additional dry clutch to increase acceptability, dry dual clutch transmissions can only
  handle maximum torque of approximately 400 N-m. This torque level is approximately
  that of a V6 midsize car. At higher torque levels, a hydraulic system is required,
  accompanied by additional pump losses, mass, and increased electrical loads. Even
  hydraulic systems might not work on heavier trucks given extreme loads and durability
  concerns.

- The actual implementation of AMT transmissions into nearly all of the vehicle fleet
  (which is what the standard assumes) would require retirement of almost every North
  American investment in light-duty transmission manufacturing capacity and the addition
  of an equal amount of new AMT capacity somewhere in the world.

iii. Turbocharged Engines
The use of aggressively downsized (41-52% smaller), highly turbocharged, intercooled, direct-injected engines with dual cam phasing is used to set the standard in all but one of the vehicle segments. So the standards are very dependent on the results projected for these types of engines. There are some significant issues with both the benefits analysis and the applicability of these types of engines:

- The projected benefit for the turbocharged, downsized, direct-injected, camphasing engines is based on very aggressive assumptions about the specific output that is possible for these types of engines. The most unlikely of these assumptions is that the engines will use premium fuel instead of regular fuel (as discussed in more detail below). All of the AVL analysis for these engines appears to be based on premium fuel. Without premium fuel, the specific output possible from these engines will be significantly reduced and the engine sizes will be overly optimistic due to selection of very low engine displacements driven by unrealistic BMEP (Brake Mean Effective Pressure) curve assumptions that depended on high boost levels and premium fuel usage.

- Typical turbocharger installations require an intercooler, which increases vehicle drag.

- There are significant discrepancies between the benefits projected by AVL for downsized turbocharged MPFI engines and downsized turbocharged GDI-S engines. AVL has indicated through a direct comparison of turbocharged MPFI versus turbocharged GDI-S DCP engine maps that engine fuel consumption differences between these two technologies are as much as 12% at typical Federal Test Procedure engine operation conditions. Such large differences in fuel consumption are unexplained by the relatively minor physical differences between the engine technologies. This discrepancy affects a technology package used to justify the emission standard in four of the five vehicle classes.

- AVL has confirmed that the application of aggressively downsized turbocharged engines did not include consideration of vehicle launch, drive quality, and transient engine/transmission/ turbo response. The simulation results provided by AVL indicate that the vehicles configured with these engines will have serious drive quality problems. General Motors believes such deteriorations in performance are not acceptable, and they demonstrate that not enough verification of "equal performance" was done. Demonstration of sufficient vehicle launch, drive quality, and transient performance should be required prior to consideration of this and other "torque-modifying" new powertrain technologies.

iv. **Premium Fuel**

Portions of the analysis done by AVL appear to have included the assumption of premium fuel usage. AVL states that regular fuel was assumed for all of the engine configurations that used some form of variable valve actuation, but engine specific output levels taken directly from AVL output results match exactly with other premium fuel AVL work on variable valve actuation. Further investigation of this issue by AVL indicated that in most, but not all, cases their assumptions fell within very aggressive regular fuel specific output levels. Whether through an assumption of premium fuel usage or an overestimate of what is possible with regular fuel, the
result is an overestimate of the specific output possible with each of these technologies, which enables unrealistically aggressive engine downsizing – and fuel consumption reductions – to be simulated while maintaining equal performance. This discrepancy contributes to an over assumption of the specific output capability (and thus the chosen engine size) of every DCP, DVVL, and CVVL engine in the AVL analysis.

v. Simulation Issues

The AVL study used a computer simulation tool and consistent methodology. However, AVL has described their study as a generic study whose results can be used to compare relative differences between groupings of technologies, not for projecting specific consumption targets for specific vehicles. As a generic study, the AVL work did not cover some important details and constraints that are a reality for vehicle manufacturers:

- All of the engine maps used in the simulation study were based on AVL’s most optimistic, upper-limit projections of the full capability of the engine technologies, assuming full application of technology without sufficient constraints which reflect real-world combustion system dilution tolerance, airflow capacity, piston-to-valve clearances, oil system capacity at low speeds, idle speed control techniques, and Noise, Vibration and Harshness (NVH) concerns. The AVL engine maps assumed a best case for all of these aspects of engine design, and in several cases their “best-in-class” results were a smoothed composite of results from multiple engines – no individual engines represented the engine maps used for setting the standards. A study like this does not provide a quantitative target value that is suitable for setting fuel consumption regulations. The maps used by AVL to represent DCP, CCP, DVVL, and CVVL all had significant fuel consumption improvements at light loads where, in the real world, the improvements would be limited by combustion system dilution tolerance versus airflow capacity tradeoffs and by piston-to-valve clearance constraints.

- AVL has indicated that all of the vehicle/powertrain configurations chosen for the standard were chosen to maintain equal performance. However, seven of the ten configurations used for setting the near-term standard have worse 50-70 performance than their baseline cases; four of those cases (large truck 04, large truck 05, small truck 04, and minivan 04) are significantly worse and would be considered unacceptable when compared to the baselines.

- AVL did not consider any gradeability or drive quality metrics when choosing engine sizes. In nine of the ten configurations used for setting the near-term standard, the gradeability calculated by AVL was worse than the baseline gradeability; five of those cases (large truck 04, large truck 05, small truck 04, minivan 04, and minivan 05) showed significant degradation in gradeability to the point where they would likely be considered unacceptable. AVL made no explicit calculations concerning drive quality (the typical response to accelerator pedal inputs required by the driver) so it is impossible to quantify the impacts. Drive quality issues are frequently prevalent when the calculated gradeability is poor and when aggressive engine downsizing is attempted, so it is expected that there would be drive quality problems with several of the chosen
configurations. Since the standards set by ARB were almost entirely based on configurations where drive quality problems are likely to occur, the standards should not be considered feasible unless more analysis validating acceptable drive quality is performed.

- The method used by AVL to input transmission shift patterns and torque converter lock patterns was explicit and well defined. However, the actual shift patterns and lock/unlock patterns were not chosen in a reproducible, consistent manner. There was no explicit test of the shift points to ensure that they were not too early (which would hurt drive quality, cause shift busyness problems, and exaggerate fuel economy benefits) or not too late (which would help drive quality at the expense of fuel economy), and there was no consideration for the number of shifts per test cycle and the acceleration disturbance level during shifts (or any other indication of acceptable drive quality).

- The method used by AVL to adjust their baseline simulations to actual test vehicle performance and fuel economy results was to first “tweak” drivetrain efficiencies to dial-in vehicle 0-60 performance, and then “tweak” transmission shift and lock patterns to dial-in vehicle fuel economy. While a method such as this might produce a simulated fuel economy number that equals the test data, it does not result in a reliable baseline simulation. If, for example, the quoted engine power for the baseline engine was higher than actual (resulting in a “fast” 0-60 simulation result), the AVL method would artificially reduce the baseline drivetrain efficiency to match performance. Then, in order to match fuel economy numbers (assuming everything else about the simulation is in order), the AVL method would have to artificially make the shift/lock points too early. The result would be a baseline simulation result with unrealistic drivetrain efficiencies and shift/lock points.

- Given the observed degradations in gradeability and the well-defined but unvalidated transmission shift/lock methods used, it is inappropriate and overly optimistic for ARB to assume in Table 5.2-4 that all vehicles would benefit from additional aggressive shift logic and early torque converter lockup. The CARB report states, “driveability and acceleration concerns must be accounted for carefully in these alterations of shifting schedules.” This is true, but it was not done by AVL or CARB. The CARB report states, “… care must be exercised to ensure smooth, responsive driveability and low noise, vibration, and harshness. AVL was conservative in its modeling of these features to ensure good driveability and minimum vibration.” As described above, no systematic aggressiveness test was performed. The Table 5.2-4 adjustments are not justified. CARB had access to a full-featured simulation at AVL, but chose not to use simulation results, instead multiplying an unsimulated, unrealistic adjustment by the AVL results.

vi. OHV Engines

Four of the ten vehicle configurations used to set the near-term standard were combinations of OHV engine technologies that are unlikely to be applied in the real world. Minivan 04 applied CVVL along with CCP. Small truck 05, large truck 04, and large truck 05 all applied DeAct plus DVVL plus CCP. The application of either CVVL or DVVL to OHV engines is not realistic as
the mechanisms that might provide such function (especially in combination with DeAct and CCP) do not exist and are not being considered for development. Two major roadblocks preventing the combination of these technologies are (1) the fact that DeAct technology already uses a dedicated valve lifter and lifter housing that would preclude adding a new mechanism in the lifter valley and (2) the strict packaging requirements currently met by OHV engine designs would be violated if a large new CVVL or DVVL mechanism were added to the top of the cylinder head. Because these technology combinations have not been demonstrated in any realistic form, they violate the statement by CARB that “the technologies being explored are currently available on vehicles in various forms or have been demonstrated by auto companies and/or vehicle component suppliers in at least prototype form.”

vii. Hybrids

The AVL results for hybrid vehicles differed significantly from CARB’s estimates. AVL’s results for hybrids (which were based on analysis of simulation results) had significantly lower fuel consumption improvement than the CARB results (which were based on scaling of one production hybrid vehicle with performance significantly worse than that of any of the baseline vehicles).

g. Degraded Vehicle Performance

GM commented that as they examined the CARB analysis, it became very evident that the vehicle fuel economy computer simulations used to develop the standards did not maintain current or adequate levels of vehicle performance. Instead, they relied on technologies that would severely degrade vehicle performance, contradicting the claim by CARB that vehicle performance was maintained at current levels.

One prominent result of the analysis was that a large fuel consumption reduction was shown for downsized turbocharged engines. In fact, the downsized turbocharged powertrains served as a standard-setting configuration for all of the vehicle segments except one in the near-term calculations.

GM comments that there are serious concerns with the methodology used to arrive at the chosen set of downsized turbocharged powertrains related to the real-world driveability performance of such powertrains. GM identified vehicle “launch” performance (initial acceleration) and the transient response and driveability capabilities of the downsized turbocharged powertrains. GM believes that if CARB addressed these concerns, they would reduce the aggressiveness with which engines were downsized. The resulting fuel consumption benefits from downsizing/turbocharging would be reduced significantly because the vast majority of the claimed benefit comes from engine downsizing, ranging from a 41% to 52% displacement reduction.
GM submitted an analysis to demonstrate their launch and driveability concerns associated with downsizing/turbocharging. GM noted the limits of their analysis as it was only based on customer acceptance in the AVL simulation analysis was 0-60 mph acceleration time.

GM requested that AVL answer questions regarding their analysis and perform additional analyses on the vehicle configurations used for CARB standard setting. The same AVL personnel and the same AVL methods were sought to perform these additional analyses. A portion of those results is summarized here.

The plot in Figure 2 shows the simulated acceleration response of the 2002 baseline minivan configuration compared with the simulated response of minivan case 4 (the downsized turbocharged case, which was one of the configurations used to set the California near-term standard). The simulation analysis was performed using AVLCRUISE, and it exactly matches the analysis done for CARB.

Figure 2: AVL simulated acceleration results for minivan vehicle segment, showing baseline and case 4 (the downsized turbocharged case)

GM comments that Figure 2 demonstrates the launch and early acceleration response of the downsized turbocharged powertrain for minivan case 4 is much worse than the baseline powertrain in terms of capability. Even though the 0-60 acceleration of case 4 is faster than that of the baseline, the performance lags when the vehicle is below 47 mph (75 km/hr). In case 4 it takes an engine with 252 horsepower to match the 0-60 time of the baseline 180 horsepower minivan engine. The unrealistically high horsepower value required for a baseline minivan
engine is an indication that the balance of low-end torque and peak power for the powertrain is not realistic. Since the baseline case was chosen to be representative of the minivan class of vehicles, it is fair to state that the performance expectation for minivan customers for launch and early acceleration is not being met by minivan case 4.

GM comments that Figure 2 also highlights some typical metrics regarding launch performance: 0-15 mph time and distance traveled at 1.5 seconds. Various manufacturers and powertrain developers use their own metrics, which may be slightly different, but those shown in Figure 2 are representative of launch. Clearly, minivan case 4 suffers from poor launch.

Launch is an important vehicle performance criterion because it is a positive indicator to the driver that the vehicle has sufficient capability to move from zero speed in a predictable manner. Turning on to a 2-lane highway, making a left turn in traffic, accelerating across an intersection, and starting up a hill are all very common examples of vehicle maneuvers where a certain level of "launch feel" is expected by customers. North American customers have become accustomed to a comfortable level of launch capability, enabled by engines with good low-end torque, properly ratioed transmissions, and torque converter-equipped automatic transmissions (this fact was observed in the AB1493 report). Some vehicle manufacturers have experienced significant negative customer reaction and lost sales as a result of inadequate vehicle launch capability. Sufficient launch capability is a requirement that must be met in the competitive marketplace.

Figure 3 shows launch and acceleration characteristics of the other downsized turbocharged powertrains used to set the California standards. These powertrains were applied to all vehicle segments except large trucks, so they make up a substantial volume (and represent huge production volumes) in the vehicle fleet envisioned in the CARB analysis. As can be seen in Figure 3, each vehicle with a downsized turbocharged powertrain travels significantly less distance during launch when compared to the baseline. In practical terms, when the baseline vehicle has made it through the intersection, the downsized turbocharged vehicle has only traveled halfway through the intersection. It is important to note that the baseline vehicles used here are exactly those chosen by AVL and CARB: vehicles representative of what is saleable in the competitive marketplace. Any degradation from these baselines – let alone the huge degradations shown here – is a degradation in performance and contradicts the CARB assertion that vehicle performance was maintained.
Another observation resulting from Figure 3 is that the heavier vehicles (trucks, minivans, large cars) suffer significantly more degradation in launch when the downsized turbocharged powertrains are applied. The simulation study performed by AVL, while sufficient for a generic comparison of various technology combinations, is not sufficient for setting standards on vehicles which must meet customer requirements in order to be competitive. CARB states that the study projected baseline vehicle performance, and that their subsequent modeling “maintained those outcomes.” GM comments that this is not true.

**Conclusion**

Based on a flawed analysis, California has created *de facto* fuel economy standards that far exceed technically feasible and economically practicable levels. The California GHG rule as proposed for adoption by DEP will severely limit the product line that GM will be able to provide to its independent dealers in Connecticut, both in the initial years of the rule and in later years. Connecticut consumers will be met with reduced product choice and higher new vehicle prices that far surpass the value of fuel saved. In return, there will be no measurable environmental benefits, and the impacts on human health and the environment can even be expected to be negative. In view of these considerations, Connecticut should not adopt the California motor vehicle GHG regulation.

**Response:** The comments raised by GM in comment 9 were also provided to CARB and addressed by CARB in the FSOR. The Department disagrees with GM’s conclusion above that
California has established a fuel economy standard. The Department also believes it is unlikely that any large volume manufacturer will surrender market share by restricting product choice. Furthermore, more recent developments impacting the cost and availability of fuel have significantly shifted the focus of manufacturers and consumers alike. The Department should rely on the extensive analyses performed by CARB in the development of their GHG emission standards, comply with the legislative mandate set forth in section 22a-174g and proceed with the adoption of the proposed GHG emission standards in Connecticut.

The Association of International Automobile Manufacturers (AIAM) provided the following comments on the GHG provisions set forth in proposed section 36b:

10. Comment: AIAM expressed several concerns about Connecticut’s proposal to adopt California’s vehicle greenhouse gas standards.

a. Connecticut is proposing a de facto fuel economy standard

AIAM commented that Connecticut’s proposed rule to regulate GHG emissions from vehicles is a de facto fuel economy standard for vehicles, which is preempted by federal laws and regulations mandating uniform, nationwide standards for fuel economy (the federal Energy Policy and Conservation Act of 1975, as amended 49 U.S.C. 32901 et seq.

AIAM notes that the matter of federal preemption is currently being considered by the U.S. District Court for the Eastern District of California in Central Valley Chrysler-Jeep et al v. Witherspoon, and comments that other states would be well advised to postpone any actions to adopt the California greenhouse gas emissions standards until this litigation is resolved.

b. The Connecticut proposal does not meet the requirements of CAA section 177

The Connecticut proposal does not meet the requirements of CAA section 177. The clear and unambiguous language of section 177 states that eligible states may adopt only “California standards for which a waiver has been granted” by EPA under section 209 of the CAA (see 42 U.S.C. 7507). At this time EPA has not granted, or even considered, a section 209 waiver for California’s vehicle greenhouse gas standards, and, in fact, California has not yet requested such a waiver.

c. AIAM takes issue with the wording of the Department’s public notice for section 36b

AIAM notes and takes issue with a statement in the Connecticut DEP Notice of Intent to Revise the Regulations of Connecticut State Agencies and the State Implementation Plan for Air Quality, as published in the July 19 edition of the Connecticut State Register, which reports that section 177 of the CAA requires states adopting California vehicle emissions standards to maintain
identical standards and consistent programs for a given weight class, therefore requiring Connecticut to adopt the motor vehicle greenhouse gas standards to remain identical.

AIAM also included, for the Department’s information, the written testimony they provided to CARB during their deliberations.

**Response:**

a. The Department notes that AIAM also mischaracterizes the proposed GHG emission standards as an attempt to regulate fuel economy. The Department also notes AIAM’s concern for the Department to withhold action on the proposed section 36b until litigation in California is resolved. Given the significant lead-time requirements set forth in the CAA and the need for section 177 states to indicate their regulatory intent to the regulated community, the Department should not postpone adopting the proposed amendments to section 36b.

b. The Department believes that AIAM is mischaracterizing the Department’s ability and authority to adopt the proposed amendments to section 36b with its ability to enforce the GHG emission standards in 2009. It is well established that states, which are implementing the California tailpipe emissions program pursuant to section 177 of the CAA, may propose and adopt changes to their respective implementing regulations before California seeks or receives a waiver from EPA under section 209 of the CAA. Each such state, however, is precluded from enforcing new standards until such time that California obtains a CAA section 209 waiver.

c. AIAM’s concerns with respect to the wording of the Department’s public notice are noted. As this is not a comment on the proposed regulation, itself, the Department can offer no response. The Department can only note that, again, AIAM seems to be confusing the CAA section 177 “identicality” requirement relating with the content of the Department’s proposed amendment to section 36b with the Department’s ability to enforce the GHG emission standards in 2009 only after EPA issues a section 209 waiver to CARB.

AIAM also included with their comments a statement made to CARB during their deliberations on the GHG emission standards in California. As these comments were not specifically directed to the Department, the Department will offer no response other than to note that such comments were addressed by California in the FSOR.

The **American Petroleum Institute (API)** provided the following comments on the GHG provisions set forth in proposed section 36b:

**11. Comment:** API expressed concerns that piecemeal, mandatory limits by states on GHG emissions - from any source – are unwarranted, inefficient, and potentially unlawful, especially given the global nature of climate change and the difficulty of predicting any potential future impacts at the state level. Such mandatory state controls are not likely to be cost-effective or practically effective in mitigating any potential climate change effects at the state level. Thus, API is concerned that the proposed attempt to limit greenhouse gas emissions from new vehicles in Connecticut is premature and likely not cost effective, as well as legally questionable. As
such, and for all the reasons stated below, API urges the DEP to withdraw this proposal, at least until pending legal challenges to the California standards have been resolved.

a. Cost/Benefit or Cost-Effectiveness Considerations

As the Connecticut 2005 Climate Change Action Plan (CCAP) indicates, there are numerous opportunities and challenges related to addressing the climate issue, ranging from fundamental, long-term technology improvements, to adaptation, to efforts to reduce near-term greenhouse gas emissions.

It is a difficult process for citizens and governments to consistently assess the effectiveness of available options. But with limited budgets for state and local governments as well as citizens of the state, it is important that each climate effort be effective and based on realistic estimates of costs and benefits.

It does not appear that the process used to assess the costs and benefits of implementing the California new vehicle greenhouse gas limits in Connecticut meets that challenge. A number of concerns arise in looking at the assessment of the costs and benefits.

- Limited Analysis -- The apparent net benefits (consumer savings less consumer costs) of adopting the California regulations are highly sensitive to the assumptions in what is effectively a single but joint analysis by NESCCAF/CARB. No other independent information is provided in the Connecticut CCAP regarding potential costs and benefits of adopting the new vehicle greenhouse gas limits.

- Costs Appear Significantly Underestimated -- The CCAP estimates that the cost per vehicle of adopting the California GHG standards would be about $1,064 per vehicle in 2016 for passenger cars and light trucks/SUV’s, which is the same estimate used in the NESCCA/CARB analysis. However, other available analyses indicate that the CCAP estimate substantially understates the potential cost impacts. For example, an analysis by the U.S. Energy Information Administration (EIA)\(^45\) concludes that under the California program, “the average price of a new car in 2016 is projected to increase by $1,860....” This estimate, which explicitly did not include all costs associated with implementing the GHG standards, is 75 percent greater than the estimate used in the CCAP. Moreover, other commenters (e.g., the Alliance of Automobile Manufacturers) with more in-depth knowledge of actual vehicle manufacturing practices and costs have estimated that the additional cost per vehicle could be $3,000 or more. CCAP’s reliance on the lowest available cost analysis strongly suggests that the DEP has significantly underestimated the likely cost impacts from the proposed adoption of the California GHG standards.

- CO2 Emission Reductions Appear Overstated -- The same EIA study estimates that the 2020 emission reductions under the California program would be about half that estimated by CARB. EIA estimates that under the California program, CO2 emissions would be reduced by 14.9 million metric tons (CO2 equivalent) in 2020 while CARB

estimated reductions at 29.0 million metric tons. Since the Connecticut estimate of emission reductions is based on the NESCCAF/CARB methodology, it appears that the CCAP estimate of reductions may be far too high.

The very clear implication of these alternative estimates, by an agency of the federal government and others, is that the CCAP's estimate of the net benefits of Connecticut's adoption of the California new vehicle GHG limits could be vastly overstated.

Additionally, the EIA study points out a likely unintended consequence of implementing the California regulations. Because the required fuel economy improvements are much more stringent for cars than "those required for light trucks above 3,750 pounds, a category that includes 88 percent of total light truck sales, consumer preference for larger high performance vehicles could spur further increases in the demand for light trucks, which counters the intent of the regulation."

Under these circumstances, it is highly likely that the Connecticut Climate Change Action Plan GHG tailpipe limit program is a cost-ineffective initiative that does not belong in Connecticut’s climate program.

b. It Is Premature for Connecticut to adopt the California Vehicle GHG Standards

The California standards for GHG emissions from new motor vehicles (MY2009 and later), that the DEP has proposed to adopt, are currently the subject of active litigation in federal and state courts in California. The Alliance of Automobile Manufacturers (AAM) and various vehicle manufacturers and dealers have challenged the California standards in federal district court on a number of grounds. A hearing before the district judge in that case was held on July 25 and it remains under active consideration. If the plaintiffs prevail in that case on any of several grounds, the court could declare the California rules unlawful and vacate, or enjoin that state from enforcing, those standards.

Similarly, many California vehicle dealers have challenged that state’s GHG standards in state court, alleging numerous violations of state administrative and rulemaking requirements and asking the court to order the state to comply with those requirements. See Fresno Dodge, Inc., et al. v. CARB, et al., No. 04-CECG-03498 (Sup. Ct. Fresno). That case is also under active consideration.

Given that the DEP is expressly proposing to adopt California’s GHG standards, under the purported authority of CAA sec. 177 and Connecticut Public Act 04-84, it is premature and potentially wasteful of the DEP’s limited resources and the resources of all interested stakeholders, to conduct this rulemaking while the underlying California standards are themselves under active judicial review. Moreover, if DEP proceeds to adopt the California standards before the current litigation is resolved, it will have expended even more resources and forced other interested parties to use additional resources, all of which will be wasted if the
California standards are vacated by either federal or state court. Therefore, the DEP should withdraw this rulemaking at least until the pending California litigation is substantially resolved.

In addition, as explained more fully in comments on this proposed rule filed by AAM on August 26, 2005, even assuming that the DEP could adopt the California standards under CAA sec. 177, those standards would be unenforceable in Connecticut unless and until California itself obtains a waiver of preemption for those standards from the federal EPA under CAA sec. 209(b). Since California has not yet even requested such a waiver, and since there are serious doubts that such a waiver could be granted, see Comments of AAM, Aug. 26, 2005 at Appendix B, it is premature for the DEP to continue this rulemaking until after that threshold federal legal issue also has been resolved.

c. **The Proposed DEP Regulation is Unauthorized and Potentially Unlawful**

Without regard to the pending legal challenges to the California standards, Connecticut appears to lack legal authority to adopt those standards. API noted that AAM has raised the issue of the Department’s legal authority to adopt the proposed GHG emission standards.

**Response:** a. The Department notes that all non-industry sponsored cost/benefit analyses reviewed by the Department found the California GHG emission standards to be cost effective. It should be noted these findings were often based on very conservative fuel values of $1.74 per gallon. With fuel values at or exceeding $3.00 per gallon, the adoption of GHG emissions standards will be even more likely to produce and economic benefit. However, it is less likely that this benefit will accrue to the motor vehicle fuels industry.

b. With respect to API’s comment advising the Department to postpone action on the proposed GHG emission standards until ongoing litigation in California is resolved, see the response to comment VI.B.10.a. above.

c. With respect to API’s comment (referencing AAM’s similar comment) that the Department lacks the legal authority to adopt the proposed GHG emission standards, see the Department’s response to comment VI.B.3. above.

**Daimler-Chrysler (DCX) provided the following comments on the GHG provisions set forth in proposed section 36b:**

12. **Comment:** DCX does not support adoption of the California rule in Connecticut, and urges DEP to carefully consider all the relevant issues before it decides whether to remain in the California program or to rely on the federal motor vehicle fuel economy and emissions rules. DCX supports and incorporates by reference the comments filed by the Alliance and by Sierra Research, Inc. on the DEP’s proposal and, in particular the Alliance discussion of the State
Environmental Quality Review Act. DCX opposes the adoption of the proposed GHG emission standards regulation for the following reasons:

a. The proposed regulation sets fuel economy levels that cannot be achieved using technology in the time periods required, without significant reductions in product offerings for Connecticut consumers. Full line manufacturers like DCX, whose market mix is focused towards larger vehicles, would be most negatively affected by the proposed rule.

b. The proposed regulation would have no measurable impact on the global climate or the climate of Connecticut.

c. The proposed regulation would increase ozone-forming pollutants in Connecticut (see Sierra Research’s comments below).

d. The proposed rule would reduce employment in the automobile industry nationwide at manufacturing, supplier and distribution facilities. DCX believes the proposed regulations, once fully implemented would impact DCX’s 64 dealers and 106 suppliers in Connecticut.

e. Federal law prohibits states from adopting or enforcing a law or regulation related to fuel economy. The U. S. Congress reserved the issue of regulating vehicle fuel economy to the federal government to balance the attendant economic and safety issues. Greenhouse gas control requires coordinated international efforts, using policies set for this country at the national level, rather than through a patchwork or state regulations.

Response: With respect to comment 12.a. and e., above, see the Department’s response to comment VI.B.3, above. With respect to comment 12.b. and c, see the Department’s response to comment VI.B.17. below. With respect to comment 12.d., see the Department’s response to comment VI.B.16 below.

13. Comment: DCX has evaluated the technology forecast on which the CARB rule is based and believes that CARB’s technology assessment is incorrect because:

a. There are remaining technical obstacles that must still be overcome before the technologies are feasible for high volume production in the near and mid-term time frame.

b. The estimated costs of the feasible technologies are too low and the estimates of the benefits of technology are too high.

c. Based on unrealistic assumptions about the ability of manufacturers to implement technologies in a timeframe that does not respect the normal product development and lifecycle planning.

d. Even if all of the technical concerns could be overcome, and if the engineering resources were
available for the industry to make sweeping changes to its product line in a short timeframe, Connecticut consumers would pay far more for their new cars and trucks than they would ever recoup in future fuel savings, and product choice would be limited.

Response: The comments raised by DCX in comment 13 were also provided to CARB and addressed by CARB in the FSOR. With respect to comments 13.a., b., and c., CARB has found that this is not the case as stated in both the ISOR and FSOR. The Department disagrees with DCX’s conclusions in 13.d., above. The Department believes it is unlikely that large volume manufacturers will surrender market share by restricting product choice. Furthermore, more recent developments impacting the cost and availability of fuel have significantly shifted the focus of manufacturers and consumers alike. Give recent and dramatic increases in the price of fuel, DCX’s assertion that Connecticut consumers would not recoup the increased vehicle cost through fuel savings is not credible. The Department should rely on the extensive analyses performed by CARB in the development of their GHG emission standards, comply with the legislative mandate set forth in section 22a-174g and proceed with the adoption of the proposed GHG emission standards in Connecticut.

14. Comment: DCX commented that manufacturers cannot simply add new “on the shelf” technologies, not currently within their product plans in order to comply with the greenhouse gas rule. DCX also commented that integrating any technology into the whole vehicle package is a complex task that must take into account what a manufacturer is going to build and when and how it is going to build it. New fuel efficiency enhancing technologies, such as continuously variable transmissions and multiple displacement systems, must be far along in their own development process before they can be selected for integration into a new vehicle program. DCX commented that they are continually working to reduce the time from product conception to vehicle launch in order to respond to rapid market changes. New engines and transmissions are long-life assets so key consumer attributes such as product quality and system durability cannot be compromised. Engineering and manpower resource constraints dictate that new technologies be introduced into a single product for system integration and refinement before being used on other products. The time to incorporate these technologies into a complete product ranges from several months the several years depending on complexity. Programs like the California regulation that disrupt normal and competitive market cadences impede the effort to bring new products to market in a manner that allows the industry to use its resources efficiently, and thus to best serve our customers. DCX believes that DEP needs to undertake an independent assessment of how the California rule will affect product offerings and costs in Connecticut.

Response: CARB has extensive experience in the regulation of motor vehicle tailpipe emissions. CARB has found in both their ISOR and FSOR that their GHG emissions standards may be implemented within the proposed timeframes using today’s technology at a reasonable cost. It is important to note that the legislative mandate under which CARB adopted their GHG emission standards directed CARB to adopt the maximum feasible and cost-effective GHG emission standards. In setting the standards, CARB staff performed a detailed evaluation of the technologies and fuels available to reduce motor vehicle GHG emissions, the reductions that
could be achieved and their cost. Furthermore, the standards phase in during the 2009 through 2016 model years and allow for technological advancements and other changes to be made as part of the normal product improvement cycle.

It should also be noted that the automotive manufacturing industry has seldom agreed on the cost implications of both CARB and federal regulatory programs. Figure 4, demonstrates the degree to which industry cost assumptions have varied from those of governmental regulators. The Department should find it informative that regulator cost estimates are often more accurate than those of the regulated industry.

Figure 4

Figure 4
Historic Accuracy of Vehicle Price Impact Estimates (Hwang)\(^{46}\)

15. Comment: One major assumption in CARB's analysis is that the California greenhouse gas regulations will maximize the interests of the typical new-car purchaser. DCX submitted excerpts from NHTSA and CBO reports contradicting CARB's assessment.

DCX also noted that according to data from the U.S. EPA, over the past 15 years, light truck manufacturers have offered America’s vehicle purchasers fuel efficiency improvements of 14% (0.9% per year). Yet, in spite of a full range of vehicle choice from large to small, these consumers have taken all of those improvements in the form of increased performance, mass, and safety and none of those improvements in the form of increased fuel economy. Nevertheless, CARB’s rule increases the standard, imposing still more costs on vehicle consumers, already constrained by the existing standard. It is imperative for DEP to consider the substantial opportunity costs associated with the California regulation.

Response: See the Department’s response to comment VI.B.6. above. In addition, see CARB’s FSOR response to comments 411-413.

16. Comment: With respect to the impact of the California rule on employment in the automobile industry, DCX commented that CARB staff noted the GHG regulation will result in decreased vehicle demand over the long term (Addendum to Initial Statement of Reasons, September 10, 2004, Table 12.1-7, pg. 34). To remain competitive, DCX has to maintain production facilities in-line with demand. A long-term decrease in demand inevitably results in reduced production and impacts employment. The automobile industry is a significant employer in Connecticut. DCX alone has 64 dealers and 106 suppliers in Connecticut. DCX submitted an analysis of the employment impacts of the California motor vehicle greenhouse gas rule nationwide, prepared by Harbour Consulting, Inc. The analysis concluded the GHG regulation, when fully implemented, would cause the net loss of over 55,000 U.S. jobs and affect manufacturers in “disproportionate degrees.” DCX commented that they would be disparately penalized because of their vehicle model mix.

DCX comments that DEP’s Regulatory Impact Statement appears to assume that Connecticut dealers will be able to continue to sell the same number of vehicles to Connecticut residents and to residents of other states regardless of whether the CARB rules apply in Connecticut. DCX comments that such an assumption is unrealistic. DCX referred to the comments from AAM and Sierra Research, which indicates that the higher prices required for California-compliant vehicles will reduce demand for new vehicles within Connecticut. DCX notes that CARB has conceded this point for the California new vehicle market. The only issue is how much vehicle sales in the regulated areas will decline.

DCX asserts that few if any consumers who are not required to purchase a California vehicle will choose to pay the price premium for a vehicle that meets California standards. To the extent that residents of other states near Connecticut are not subject to the California rule, Connecticut dealers can expect to lose all or nearly all of so-called “cross-border sales” once the California rule comes into effect. Those out-of-state consumers who want vehicles with higher fuel economy will be able to purchase them from dealers located outside Connecticut, who currently and in the future will have an ample supply of higher-mileage vehicles for sale.

Response: The Harbour report submitted by DCX contains an analysis of the GHG emission
standards on national employment levels and indicates with Table 1 there would be a net loss of over 175,000 jobs. The Department could not find DCX’s reference of 55,000 jobs lost in the Harbour Report. Regardless, CARB’s analysis, which utilized different lifecycle cost estimates of a new vehicle, found that the GHG emission standards would create 53,000 jobs in California, alone. Given that the industry claims are based on the assumption that large volume manufacturers would reduce sales by 75% for the PC/LDT1 class and by 15% for the LDT2 class, the Department should find CARB’s analysis to be more credible. See CARB’s response to comments 384-407 in the FSOR.

The Department disagrees with DCX’s comment that DEP’s Regulatory Impact Statement appears to assume that Connecticut dealers will be able to continue to sell the same number of vehicles to Connecticut residents and to residents of other states regardless of whether the CARB rules apply in Connecticut.

With respect to cross-border sales, the Department need not take “cross-border sales” impacts into account for the simple reason that all states bordering Connecticut are either actively pursuing the adoption of CARB’s GHG emission standards or have expressed an intent to do so.

Sierra Research, Inc (Sierra) provided the following comments on the GHG provisions set forth in proposed section 36b:

17. Comment: Sierra submitted extensive comments asserting that the proposed regulation will result in significant increases in criteria air pollutant emissions. Sierra submitted, in support of its comments, a document entitled Evaluation of Connecticut’s Adoption of California’s Greenhouse Gas Regulations on Criteria Pollutants and Precursor Emissions, Report No. SR2005-08-03, August 26, 2005 (Sierra’s Report). Sierra’s Report contained several appendices including:

- Appendix A, Analysis of the Impact of CARB’s AB 1493 Regulations on Criteria Pollutant Emissions as a Result of Rebound, Fleet Turnover, and Reduced Fuel Consumption;
- Appendix B, Declaration of Thomas C. Austin In Opposition To Defendant’s Motion to Dismiss or Transfer (describing Declarant’s analysis of the design changes and costs required to comply with the greenhouse gas emissions standards adopted by the California Air Resources Board (CARB) in September of 2004;
- Appendix C, Modeling the Fleet Population Effects of the Connecticut Proposal to Reduce Greenhouse Gas Emissions from Motor Vehicles (performed for Sierra by NERA Economic Consulting); and
- Appendix D, Assessment Of VMT Rebound Effect in Connecticut.

Sierra’s comments were supported and incorporated by reference into the comments of the Alliance, GM, Ford and DCX. Sierra also commented that the Department did not perform an independent technical analysis on the effect the adoption of the California GHG rule would have
on Connecticut’s air quality. Sierra commented that three factors would lead to increased criteria pollutant emissions in Connecticut from the adoption of the proposed rule; these factors are:

- Fuel cycle emissions – Sierra commented that CARB’s analysis overstates the emission decrease that results from reduced production, storage and distribution of fuel.
- Fleet turnover – Sierra commented that increased vehicle prices will decrease sales of new vehicles and thereby slow the introduction of new, cleaner vehicles into the fleet.
- Rebound - Sierra commented that the required low greenhouse gas vehicles will be cheaper to operate and as a result vehicle owners will drive more, thus increasing emissions.

18. Comment: Sierra commented that if Department relied on the CARB analysis, such reliance is misplaced because CARB’s analysis is flawed and the CARB analysis is not relevant to Connecticut.

Response to Comments 17 and 18:

The Department has reviewed CARB’s regulatory documents throughout the development of the proposed amendments to section 36b. The Department also reviewed similar regulatory documents prepared by the New York State Department of Environmental Conservation (NYSDEC). Neither CARB nor DEC identified an unreasonable increase in criteria pollutant emissions. It is important to note that Sierra submitted substantially similar comments to CARB (and to NYSDEC\(^{47}\)). To date, only CARB has formally responded to Sierra and found, as noted in detail below, Sierra’s modeled values are not credible.

As further explained below, the Department does not believe CARB’s analysis is flawed. Furthermore, the general findings of the CARB analysis are relevant to Connecticut and the Department believes CARB’s findings are general indicators as to how the proposed GHG emission standards would impact Connecticut.

As the comments submitted to the Department offer a wide ranging critique of CARB’s various analyses on the effect of the GHG rule adoption in California, this Report adopts and incorporates by reference CARB’s direct responses to Sierra on these very same issues as set forth in the CARB’s Regulations to Control Greenhouse Gas Emissions from Motor Vehicles - Final Statement of Reasons, August 4, 2005 (FSOR) and related documents, including, but not limited to the CARB Staff Responses to Comments Raising Significant Environmental Issues Regarding the Proposed Regulations to Control Greenhouse Gas Emissions From Motor Vehicles, August 4, 2005 (CARB Staff Responses); and the Initial Statement Of Reasons For Proposed Rulemaking, Public Hearing To Consider Adoption Of Regulations To Control Greenhouse Gas Emissions From Motor Vehicles, August 6, 2004 (CARB ISOR or ISOR).

\(^{47}\) The Department maintains that Sierra submitted essentially identical comments to the New York State DEC because documents submitted to Connecticut by Sierra and the Alliance contain reference “NYSDEC” and their proposed greenhouse gas emission standards.
Fleet Turnover Effect

Sierra commented that increases in the prices of new cars and light trucks resulting from the proposed regulations would depress sales of new vehicles to the extent that emissions would increase due to the greater number of older vehicles on the road emitting higher levels of criteria pollutants longer than would occur under a no regulation scenario. This is known as the “fleet turnover effect.” In support of this position, Appendix C to Sierra’s Report contains a document, dated August 23, 2005 and prepared by NERA Economic Consulting, entitled *Modeling the Fleet Population Effects of the Connecticut Proposal to Reduce Greenhouse Gas Emissions from Motor Vehicles* (NERA Review), which developed estimates of the effects of the proposed regulations on the Connecticut vehicle fleet.

The main conclusion of the Sierra Report/NERA analysis is that the total estimated number of reduced new vehicle (LDV/LDT1 and LDT2) sales in 2020 are nearly 78,000. They also estimated the number of pre-2009 vehicles in 2020 are nearly 50,000.

As stated above, Sierra/NERA submitted similar comments to California. The comments vary based on the size of Connecticut’s fleet relative to that of California. CARB found that the Sierra/NERA assertions were based on assumptions of underlying technology cost estimates rather than differences in methodology. CARB did not find the comments submitted by manufacturers regarding vehicle cost “to be credible” CARB Staff Responses at page 5. Furthermore, in the CARB Staff Responses at page 6, CARB also noted:

“there are a number of factors that serve to reduce the cost of the regulation that are not taken into account in the [Sierra/NERA] modeling results. As required by AB 1493, the proposed regulations provide flexibility to manufacturers. . . by allowing the averaging of fleet emissions between the PC/LDT1 and LDT2 classes, by allowing trading between manufacturers, and by allowing banking of credits for later use or trading with others. The regulations also allow alternative fuel vehicle projects to create additional credits. In addition, manufacturers have until the end of each Tier of the standards (2012 and 2016) to demonstrate compliance with the standard. Together, staff expects that during program implementation these flexibility provisions will reduce the real world cost impact of the greenhouse gas emission reduction program and its impact on sales. (Internal citations omitted)

Fuel Cycle Emissions

Sierra/NERA commented that the CARB staff estimate of reduced fuel cycle emissions (emission reductions that will occur due to a reduction in the amount of fuel reaching, stored in, and transferred in or near California) was overstated. Both the CARB and Sierra analyses agreed that there would be reduced criteria pollutant emissions from reduced fuel cycle emissions. They disagreed as to the precise benefit. Neither analysis attempted to quantify the public health
benefits from reduced exposure to hazardous air pollutants that will likely accrue from reduced fuel cycle emissions. Based on the CARB Staff Responses, the Department should, based on CARB’s reasonably sound engineering judgment, anticipate fuel cycle emission reductions in Connecticut from the adoption and implementation of the proposed GHG emission standards.

**Rebound**

Sierra/NERA claim that criteria pollutant emissions will also increase due to consumer response to reduced operating costs. Sierra/NERA reasons that because driving would become less expensive, people will drive more miles thereby emitting more air pollution than if the proposed regulation was not adopted. CARB found that a similar report issued by Sierra/NERA and submitted to California suffered from methodological problems and as such was not credible. As CARB stated:

“The *NERA Review* rebound analysis also is considerably less robust than the approach presented in the [CARB] *Staff Report/ISOR*. In its approach, NERA assumes that the entire change in VMT is caused by changes in travel cost-per-mile. However, similar to the issue with respect to fuel price noted above, it is well understood that changes in cost per-mile cannot solely explain the entire change in VMT. Changes in VMT are caused by changes in time cost, travel congestion, income, income level, and other factors. To ignore the other explanatory factors in explaining changes in VMT would bias the projection of the rebound effect. In addition, NERA’s use of a linear demand curve to explain the relationship between VMT and cost-per-mile is hard to justify because it implies that VMT could decline to zero, even at some finite cost, in regions of high cost per-mile. This reveals another flaw – the failure to consider the effects of income and urbanization in California.

NERA’s model oversimplifies the relationship between miles traveled and the complex and dynamic series of costs that affect it. Staff disagrees with the assertion that the cost of gasoline dominates out-of-pocket costs, and that travel decisions are primarily controlled by out-of-pocket costs. NERA’s model ignores additional critical costs, both out-of-pocket (e.g., changes in the housing market and personal income that affect location choices) and outside the pocket (e.g., changes in time costs due to altered traffic conditions during economic recession). NERA acknowledges that fuel cost impacts on VMT can be quantified when other things are equal, but its analysis fails to equalize the full series of other important impacts on miles traveled.”

CARB Staff Responses at Page 7 and 8.

The Department should concur with CARB’s findings that the claimed emission increases due to higher estimates of the rebound effects cannot be supported. CARB’s findings are consistent
with economic modeling performed for EPA by Regional Economic Modeling, Inc. (REMI) in support of other transportation-related emission reduction programs.

VII. Summary of Comments on the Adoption of California’s Medium-Duty Low Emission Vehicle Standard and related Technical Issues

Large Volume Manufacturers\textsuperscript{48} (LVMs) provided the following comments on the medium-duty LEV II provisions set forth in proposed section 36b:

1. Comment: The LVMs commented that Connecticut should not adopt the LEV II program for medium-duty vehicles (MDVs). Inclusion of the MDVs will add complexity to tracking and ensuring compliance with the LEV II program due to the complexity of the MDV class that includes both chassis-certified (complete) vehicles and engine dynamometer-certified (incomplete) vehicles. Connecticut does not need to include MDVs in the LEV II program to make it identical to the California program as required by Section 177 of the Clean Air Act. Also, including MDVs as part of the LEV II program will provide no meaningful improvements in air quality.

Response: The Department disagrees. The adoption of the MDV standards in Connecticut will enhance regional consistency as the states of New York, Massachusetts, Vermont, and Maine have adopted MDV standards and the states of Rhode Island and New Jersey have expressed an intent to do so.

2. Comment on Fleet average NMOG and MDV phase-in requirements: If Connecticut does adopt the proposed regulations for medium-duty vehicles, the LVMs commented that there are transitional issues arising from adopting the California regulations midstream. For example, Connecticut has recognized the issue of banked ZEV credits, and has adopted regulatory provisions that provide additional means of gaining ZEV credits to address that issue. There are similar bank credit issues for fleet NMOG compliance and medium-duty phase-in compliance. While the fleet NMOG and MDV phase-in banked credit issues are temporary in nature because the credits are discounted over time, these issues must still be addressed to allow Connecticut to transition to the California program. Attachment 1 to the LVM comments contains a more detailed illustration of this concern. To address this issue, we recommend that Connecticut take the same approach that other Section 177 states have taken, which is to defer compliance with the fleet NMOG requirement until the transition period is over. Such an approach was taken in each of the four Northeast States that first adopted the California LEV requirements (New York, Massachusetts, Vermont, and Maine). For example, the following language is from Vermont’s LEV regulation (Subchapter XI, section 5-1106(a)(1)):

\textsuperscript{48} Large volume manufacturers include Daimler Chrysler, Ford, General Motors, Honda, Nissan, Toyota and Volkswagen.
Effective for 2004 and subsequent model-years, each manufacturer shall comply with the fleet average emission requirements and, for 2000 and subsequent model-years, may earn and bank NMOG credits, both in accordance with Title 13, California Code of Regulations Section 1961, except NMOG credits earned prior to model-year 2004 shall be treated as though they were earned in model-year 2004.

Applying this same approach to the Connecticut regulation (except allowing three years to generate credits instead of four), we recommend that subsection (f)(1) of section 22a-174-36b be modified as follows:

*Effective for 2011 and subsequent model years,* the fleet average NMOG emission values from in 2008 and subsequent model years passenger cars and light-duty trucks and medium-duty vehicles produced and delivered for sale in the State of Connecticut by a manufacturer for each model year shall not exceed the fleet average numbers set forth in California Code of Regulations, Title 13, sections 1960.1(g)(2) and 1961(b)(1), except as provided in sections 1960.1(g)(2) and 1961(b)(1). *Effective for 2008 and subsequent model years, manufacturers may earn and bank NMOG credits in accordance with California Code of Regulations Section 1961, except NMOG credits earned prior to model year 2011 shall be treated as though they were earned in model year 2011.*

To clarify how this provision is applied, debits earned in 2008, 2009, and/or 2010MY would be offset by credits earned in this same time period. If there is a net credit at the end of the 2010MY, this credit may be applied to the California Code of Regulations Section 1961. However, if there is a net debit at the end of the 2010MY, the manufacturer will start the 2011MY with a zero NMOG fleet average credit balance.

With respect to medium-duty vehicles, MDVs are not part of the fleet NMOG average in California and cannot be part of the fleet NMOG average in Connecticut. Instead, MDVs in California must meet a phase-in requirement based on the percentage of LEVs and ULEVs produced and delivered for sale in the state (see CCR Title 13, Section 1961(b)(3)). If Connecticut chooses to have this MDV requirement, it must address the transitional banked credits issue. Again, we recommend an approach like that taken in Vermont which required compliance beginning in the 2007 model year and allowed credits to be generated beginning in the 2004 model year per the following regulatory language (Subchapter XI, section 5-1106(a)(2)):

*Effective for 2007 and subsequent model-years, each manufacturer shall comply with the medium-duty vehicle phase-in requirements and, for 2004 and subsequent model-years, may earn and bank VECs, both in accordance with Title 13, California Code of Regulations Section 1961, except VECs earned prior to model-year 2007 shall be treated as though they were earned in model-year 2007.*
Again, applying this same approach to the Connecticut regulation, we recommend that the following language be added to the end of subsection (f)(1) of section 22a-174-36b:

*Effective for 2012 and subsequent model years, the phase-in requirements set forth in California Code of Regulations, Title 13, section 1961(b)(3) apply based on medium-duty vehicles produced and delivered for sale in the State of Connecticut. Effective for 2009 and subsequent model years, manufacturers may earn and bank MDV Vehicle Equivalent Credits (VECs) in accordance with California Code of Regulations Section 1961, except MDV VECs earned prior to model year 2012 shall be treated as though they were earned in model year 2012.*

Note that compliance with the MDV phase-in requirement, and the opportunity to earn and bank credits, would start one year later than fleet NMOG would start for passenger cars (PCs) and light-duty trucks (LDTs) because Connecticut's MDV program starts in 2009, one year later than the 2008 start date for its PC/LDT program. To be consistent with this one year difference in start date, we recommend that the following sentence be added to the end of section (h):

*Enforcement of the medium-duty vehicle phase-in requirements shall begin in the 2012 model year.*

Finally, in section (f)(3) the reference to CCR Title 13 section 1961(b)(1) should be changed to 1961(c) which is the section of the California regulations that addresses credits and debits.

**Response:** In accordance with the LVMs comments, the Department should amend subsection (f) and (h) as follows:

(f) **Fleet average requirements, reporting and projections, and delivery reporting requirements.**

(1) *Effective for 2008 and subsequent model years, the [The] fleet average NMOG gas emission values from passenger cars and light-duty trucks vehicles produced and delivered for sale in the State of Connecticut by a manufacturer for each model year shall not exceed the fleet average numbers set forth in California Code of Regulations, Title 13, sections 1960.1(g)(2) and 1961(b)(1), except as provided in section 1960.1(g)(2) and 1961(b)(1). Effective for 2008 and subsequent model years, manufacturers may earn and bank NMOG credits in accordance with California Code of Regulations, Title 13, section 1961, except NMOG credits earned prior to model year 2011 shall be treated as though they were earned in model year 2011 and no debits shall be carried forward after model year 2011.*

(2) *Effective for 2009 and subsequent model years, each manufacturer shall comply with the medium-duty vehicle phase-in requirements and, for 2004 and subsequent model years, may earn and bank VECs, both in accordance with California Code of Regulations, Title 13, section*
1961, except VECs earned prior to model-year 2012 shall be treated as though they were earned in model-year 2012.

[(2)](3) A manufacturer that certifies vehicles equipped with direct ozone reduction technologies is eligible to receive NMOG credits for use in fleet average compliance determinations. A manufacturer shall submit to the commissioner a CARB Executive Order, obtained in accordance with California Code of Regulations Title 13, section 1960.1(g)(1), which shall determine the value of such credits for vehicles delivered for sale in the State of Connecticut, when the manufacturer submits its annual NMOG fleet average report.

[(3)](4) Credits and debits may be accrued and utilized based upon each manufacturer’s sales of vehicles subject to this part in the State of Connecticut, pursuant to the provisions set forth in the California Code of Regulations Title 13, sections 1960.1(g)(2) and [1961(b)(1)] 1961(c).

[(4)](5) Commencing with the 2008 model year, each manufacturer shall report to the commissioner, using the same format used to report such information to CARB, the average emissions of its fleet delivered for sale in the State of Connecticut. The report shall be submitted to the commissioner, or the commissioner’s designee, no later than March 1st of the calendar year succeeding the end of the model year. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

[(5)](6) Delivery reporting requirements. For the purposes of determining compliance with the requirements of this section, commencing with the 2008 model year, each manufacturer shall submit annually, to the commissioner, [within sixty (60) days subsequent to the end of each model year] by March 1st of the calendar year succeeding the end of the model year, a report documenting total deliveries for sale of vehicles in each engine family over that model year in the State of Connecticut. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

Subdivisions (6)-(8) are re-numbered accordingly.

Subsection (h) is amended to add the following sentence at the end of the subsection:

Enforcement of the medium-duty vehicle phase-in requirements shall begin in the 2012 model year.

3. Comments on the zero emission vehicle (ZEV) program: The LVMs noted that the manufacturers do not support the ZEV regulations. However, we do appreciate the DEP making amendments to the ZEV regulations that allow manufacturers further flexibility in compliance. These next comments are on the proposed ZEV regulations amendments.
a. Voluntary Early Introduction ZEV Credits: LVMs recommend that, under the alternative compliance path described in Section 22a-174-36b(m)(2), Connecticut provide ZEV credits for vehicles delivered and sold in Connecticut prior to 2004 MY. Otherwise, manufacturers that took environmentally proactive steps to place these clean, advanced technology vehicles in Connecticut, when there was no requirement to do so, would be penalized. Early placement of advanced technology vehicles provides some emissions reductions, advances technology, and increases consumer education and awareness. There is a true benefit to the state for these early vehicle placements, whereas the manufacturers experienced increased costs to place these vehicles early. LVMs believe environmentally proactive steps should be encouraged and rewarded by providing ZEV credits for any ZEV qualifying vehicle placed in Connecticut regardless of time frame. The commenter recommends that the credit provided be the California credit value per CCR, Title 13 Section 1962, with the 2004MY Connecticut multiplier applied and that subsection (m)(2) be modified as follows:

(2) A manufacturer may earn Connecticut ZEV credits for the introduction into Connecticut of PZEVs, ATPZEVs and ZEVs beginning with the 2004 model year provided that:

(A) The vehicle credit values for this alternative compliance path shall be the same as in the California Code of Regulations; Title 13, Section 1962.

(B) After the credit value for a vehicle is established by CARB pursuant to California Code of Regulations, Title 13, section 1962, a Connecticut multiplier will be applied to such credit value for that vehicle in accordance with Table 36b-2. For PZEVs, ATPZEVs and ZEVs produced and delivered for sale in Connecticut prior to the 2004MY, the 2004MY Connecticut multiplier would apply. The Connecticut multiplier shall not be applied to type III ZEVs placed in service pursuant to the California Alternative Requirements for Large Volume Manufacturers as identified in the California Code of Regulations, Title 13, section 1962(b)(2)(B).

b. Proportional ZEV Credit Bank: LVMs expressed concern with the consistency between Section 22a-174-36b(m)(3) and Section 22a-174-36b(m)(3)(A) regarding the three-model-year-average used in the base ZEV credit ratio determination. The determination of the ZEV credit transfer should be the ratio of average PCs and LDT1s in Connecticut and California in model years 2000 - 2002. The reason these model years are chosen is to be consistent with the model years used in the California regulations, CCR Title 13, Section 1962(b)(1)(B) Calculating the number of vehicles to which the percentage ZEV requirements is applied. Therefore the language in Section 22a-174-36b(m)(3) should be modified to:

(3) The commissioner shall set aside a number of Connecticut ZEV credits proportionally equivalent to the number of ZEV credits possessed by the requesting manufacturer for use in the State of California at the beginning of the 2008 model year. This transfer shall be
performed only after all credit obligations for the 2007 and earlier model years have been satisfied in California. The commissioner shall multiply the manufacturer's California credit balances by the ratio of the average number of PCs and LDT1s produced and delivered for sale in Connecticut to the combined average number of PCs and LDT1s produced and delivered for sale in California in model years 2000 through 2002 or, alternatively, by the ratio of PCs and LDT1s produced and delivered for sale in Connecticut to the combined number of PCs and LDT1s produced and delivered for sale in California in model year 2008.

In addition, Section 22a-174-36b(m)(3)(A)(iv) requires some clarification. We would like to clarify that the 2008 model year actual production and delivery data will only be used to adjust the number of ZEV credits granted if the manufacturer chooses the current model year option. Furthermore, we would like to clarify that the date on which the DEP will adjust the number of ZEV credits granted based on the actual 2008 model year production and delivery data will be June 30, 2009. In order to clarify this section we recommend the following modifications:

(A) By May 1, 2008, provide the commissioner with either:

(i) the total number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California for 2000 through 2002 model years, or

(ii) the total projected number of PC and LDT1 vehicles to be produced and delivered for sale in Connecticut and California in model year 2008, and

(iii) by March 1, 2009, manufacturers providing the projected number of vehicles as specified in (A)(ii) shall provide the commissioner with the actual number of PC and LDT1 vehicles produced and delivered for sale in Connecticut and California in model year 2008, and

(iv) the commissioner shall, by June 30, 2009 recalculate and adjust, either upward or downward, the number of ZEV credits granted based on projected production and delivery data submitted under subparagraph (A)(ii) of this subdivision based on actual 2008 model year production and delivery data submitted under subparagraph (A)(iii) of this subdivision;

c. Treatment of Neighborhood Electric Vehicles: Neighborhood Electric Vehicles (NEVs) may be an important component of a manufacturer's ZEV compliance plan. Currently, Connecticut law does not provide NEVs with the same market potential as California. California allows NEVs to be registered and driven on roads with maximum speed limits up to 35 MPH, whereas Connecticut does not allow either. The difference in vehicle registration and usage policies in Connecticut may require a manufacturer to build a "third vehicle" for Connecticut to account for the limited ability to generate NEV credits. To address this issue and place
manufacturers of NEVs on equal footing with California, we suggest an approach similar to the approach Rhode Island employed. That is to add the following paragraph to Section 22a-174-36b(c)(2) as follows:

Until such time as NEVs can be legally registered in Connecticut and operated with restrictions no more stringent than California, manufacturers that generate ZEV credits in California through the sale of NEVs shall receive Connecticut credits for those sales. Credits will be transferred annually using the ZEV credit account transfer ratio determined in accordance with section (m)(3), as applicable to the manufacturer.

Response: a. The Department should amend subsection (m)(2) as follows:

(2) A manufacturer may earn Connecticut ZEV credits for the introduction into Connecticut of PZEVs, AT PZEVs and ZEVs [beginning with 2004 model year] provided that:

(A) The vehicle credit values for this alternative compliance path shall be the same as in the California Code of Regulations, Title 13, section 1962.

(B) After the credit value for a vehicle is established by CARB pursuant to California Code of Regulations, Title 13, section 1962, a Connecticut multiplier will be applied to such credit value for that vehicle in accordance with Table 36b-2. The Connecticut multiplier shall apply to PZEVs, ATPZEVs and ZEVs produced for sale in Connecticut prior to the 2004 model year. Such multiplier shall not be applied to type III ZEVs [placed in service pursuant to the California Alternative Requirements for Large Volume Manufacturers as identified in the California Code of Regulations, Title 13, section 1962(b)(2)(B)].

b. The Department should amend subsection (m)(3) as follows:

(3) The commissioner shall set aside a number of Connecticut ZEV credits proportionally equivalent to the number of ZEV credits possessed by the requesting manufacturer for use in the State of California [on January 1, 2008.] at the beginning of the 2008 model year. This transfer shall be performed only after all credit obligations for the 2007 and earlier model years have been satisfied in California. The commissioner shall multiply the manufacturer's California credit balances by the ratio of the average number of PCs and LDTIs produced and delivered for sale in Connecticut to the combined average number of PCs and LDTIs produced and delivered for sale in California in model years 2000 through 2002 or, alternatively, by the ratio of PCs and LDTIs produced and delivered for sale in Connecticut to the combined number of PCs and LDTIs produced and delivered for sale in California in model year 2008. In either case,
the commissioner shall determine the model year 2008 ZEV sales requirements in Connecticut using the same time period that determined the credit transfer ratio. The commissioner shall notify such manufacturer of the number of ZEV credits, allocated in accordance with subdivision (2)(F) of this subsection, available for use by [May] July 31, 2008 and annually thereafter until such credits are fully consumed. Credits issued pursuant to this subdivision may only be used in Connecticut for compliance with the ZEV provisions of subsection (c)(2) of this section subject to the same requirements and limitations on credit use set forth in the California Code of Regulations, Title 13, section 1962 adjusted for Connecticut specific vehicle numbers. Furthermore, each manufacturer operating under this alternative compliance path shall:

(A) By [March] May 1, 2008, provide the commissioner with either: [the total number of vehicles sold in Connecticut and California for a three-year period prior to January 1, 2008;]

(i) the total number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California for 2000 through 2002 model years, or

(ii) the total projected number of PC and LDTI vehicles to be produced and delivered for sale in Connecticut and California in model year 2008, and

(iii) by March 1, 2009, any manufacturer that provides the projected number of vehicles specified in subparagraph (A)(ii) of this subdivision shall provide the commissioner with the actual number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California in model year 2008, and

(iv) the commissioner shall, by June 30 2009, recalculate and adjust, either upward or downward, the number of ZEV credits granted based on actual model year 2008 production and delivery data submitted under subparagraph (A)(iii) of this subdivision;

Subparagraphs (m)(3)(B) and (C) remain unchanged.

c. The Department should amend subsection (c)(2) by adding new subparagraph (C) as follows:

(C) Until such time that NEVs can be legally registered in Connecticut and operated with restrictions no more stringent than imposed by the State of California, manufacturers that generate ZEV credits in California through the sale of NEVs shall receive Connecticut credits for those sales. Such credits shall be transferred annually using the ZEV credit account transfer ratio determined in accordance with section
VIII. Additional Comments of the Hearing Officer

The Department should make the following technical corrections to the proposed regulations:

1. Comments on Comments:
Several commenters included within their comments on the proposed rule a request stating to the effect, that if the Department receives any other comments on the environmental aspects of the California rule in Connecticut, that the commenters be advised of such and provided an opportunity to comment on the other comments.

The Department is under no obligation to honor such requests, nor should it. The purpose of notice and comment rulemaking is for the public and other interested parties to provide comments to the Department on its proposed action. The purpose is not to generate technical debate on one party’s position versus that of another party, especially in the context of mobile source modeling that is highly dependent on the assumptions and inputs generated by the modeler.

2. Table 36b-1. Table 36b-1 should be amended to reflect the recent changes to the LEV program. The “section amended date” for section 1900 and section 1961.1 should be changed from “TBD” to August 4, 2005.

IX. Final Text of Proposed Regulations

Section 1.

Section 22a-174-36b of the Regulations of Connecticut State Agencies is amended to read as follows:

Section 22a-174-36b. Low Emission Vehicles II Program.

(a) Definitions and abbreviations. Provided that any term related to the administration of the Low Emission Vehicles II program not defined in this subsection shall be as defined or described in Title 13 of the California Code of Regulations, for the purposes of this section:

(1) “Advanced technology vehicle” means any PZEV, AT PZEV or ZEV.

(2) “Air contaminant emission control system” means the equipment designed for installation on a motor vehicle or motor vehicle engine for the purpose of reducing the air contaminants emitted from the
motor vehicle or motor vehicle engine, or system or engine modification on a motor vehicle or motor vehicle engine which causes a reduction of air contaminants emitted from the motor vehicle or motor vehicle engine, including but not limited to exhaust control systems, fuel evaporation control systems, and crankcase ventilating systems.

(3) "Alternative fuel" means any fuel that is commonly or commercially known or sold as one of the following: M-100 fuel methanol, M-85 fuel methanol, E-100 fuel ethanol, E-85 fuel ethanol, compressed natural gas, liquefied petroleum gas, or hydrogen.

(4) "AT PZEV" means advanced technology partial zero emission vehicle.

(5) "CARB" means the California Air Resources Board.

(6) "Certified" means the finding by CARB that a motor vehicle, motor vehicle engine, or motor vehicle engine family, or air contaminant emission control system has satisfied the criteria adopted by CARB for the control of specified air contaminants from motor vehicles.

(7) "Dual-fuel" means a motor vehicle that is engineered and designed to be capable of operating on a petroleum fuel and on another fuel that is stored separately on-board the vehicle.

(8) "Emergency vehicle" means any publicly owned vehicle operated by a peace officer in performance of his or her duties, any authorized vehicle used for fighting fires or responding to emergency fire calls, any publicly owned authorized vehicle used by emergency medical technicians or paramedics, or used for towing or servicing other vehicles, or repairing damaged lighting or electrical equipment, or an ambulance.

(9) "Emission control label" means the permanent stickers required by CARB and affixed to all [2008 and subsequent model year] passenger cars, [and] light duty trucks[,] and medium-duty vehicles certified for sale in California.

(10) "Emissions-related part" means any automotive part that affects any regulated emissions from a motor vehicle or motor vehicle engine that is subject to California or federal emissions standards, as set forth in California Code of Regulations, Title 13, section 1900(b)(3).

(11) "EPA" means the United States Environmental Protection Agency.

(12) "Executive Order" means an Executive Order of CARB.

(13) "Fleet average emissions" means a motor vehicle manufacturer's average vehicle emissions of all non-methane organic emissions from all vehicles manufactured and certified for sale in California.
gases and all greenhouse gases from all vehicles that are subject to this section, sold in the State of Connecticut in any applicable model year.

[(12)](14) "Fuel-flexible" means [a methanol-fueled] an alternative fuel motor vehicle that is engineered and designed for operation using any [gasoline-methanol] alternative fuel mixture or blend.

(15) "Greenhouse gas" means any of the following gases: carbon dioxide, methane, nitrous oxide, and hydrofluorocarbons.


[(13)](17) "Heavy-duty vehicle" means any motor vehicle having a manufacturer’s gross vehicle weight rating greater than 6,000 pounds, except passenger cars.

[(14)](18) "Hybrid electric vehicle" or "HEV" means a motor vehicle which allows power to be delivered to the driver wheels solely by a battery powered electric motor but which also incorporates the use of a combustion engine to provide power to the battery, or any vehicle which allows power to be delivered to the drive wheels by either a combustion engine and/or by battery powered electric motor.

(19) “Independent low volume manufacturer” means “independent low volume manufacturer” as defined in California Code of Regulations, Title 13, section 1900.

[(15)](20) "Light duty truck" or "LDT" means any 2008 and subsequent model-year motor vehicle certified to the standards in California Code of Regulations, Title 13, section 1961(a)(1) having a gross vehicle weight rating of 8500 pounds or less, and any other motor vehicle rated at 6000 pounds or less, that is designed primarily for the purposes of transportation of property or is a derivative of such a vehicle, or is available with special features enabling off-street or off-highway operation and use.

[(16)](21) "Loaded vehicle weight" or "LVW" means vehicle curb weight plus 300 pounds.

[(17)](22) "Low Emission Vehicle II program" means the standards for motor vehicles, motor vehicle engines and related provisions that the State of California has adopted and is permitted to adopt under 42 USC 7543 and that the Commissioner is permitted to adopt under 42 USC 7507 as required by section 22a-174g of the Connecticut General Statutes for the implementation of such program in Connecticut.

(23) “Medium-duty passenger vehicle” means “medium-duty passenger vehicle” as defined in California Code of Regulations, Title 13, section 1900.
[18] "Medium-duty vehicle" means "medium-duty vehicle" as defined in California Code of Regulations, Title 13, section 1900. [any 2008 and subsequent model year heavy-duty, low-emissions, ultra-low-emission, super-ultra-low emission or zero-emission vehicle certified to the standards in California Code of Regulations, Title 13, section 1961(a)(1) or 1962 having a manufacturer's gross vehicle weight rating between 8,501 and 14,000 pounds.]


[20] "Model year" means "model year" as defined in 40 CFR 85.2302 and determined in accordance with the provisions of 40 CFR 85.2301 through 40 CFR 85.2304, inclusive.

[21] "Neighborhood electric vehicle" or "NEV" means a motor vehicle certified to zero emission vehicle standards and meets the definition of "low speed vehicle" either in California Code of Regulations, Title 13, section 385.5 or in 49 CFR 571.500.

[22] "New vehicle" means any passenger car or light duty truck with 7,500 miles or fewer on its odometer.

[23] "NMOG" means non-methane organic gas;

[24] "Passenger car" or "PC" means any motor vehicle designed primarily for transportation of persons having a design capacity of twelve persons or less.

[25] "Offset vehicle" means a vehicle that has been certified by the State of California as set forth in the California Code of Regulations, Title 13, section 1960.5.

[26] "PZEV" means partial ZEV as defined in California Code of Regulations, Title 13, section 1962.

[27] "Small volume manufacturer" means, "small volume manufacturer" as defined in California Code of Regulations, Title 13, section 1900. [except as otherwise provided in California Code of Regulations, Title 13, sections 1960.1(g)(2), 1960.1(h)(2) and 1960.1(n), any 2001 and subsequent model-year manufacturer with California sales less than 4,500 new passenger cars, light-duty trucks, medium-duty vehicles, heavy-duty vehicles and heavy-duty engines based on the average number of vehicles sold for the three previous consecutive model-years for which a manufacturer seeks certification; however, for manufacturers certifying for the first time in California, model year sales shall be based on projected California sales.]
(34) "Travel provision" means the provision of the California Code of Regulations that entitles a manufacturer to full credit for each Type III ZEV placed in service prior to model year 2012 in California or any other state that has adopted the California ZEV mandate.

[(27)](35) "Vehicle" means any motor vehicle.

(36) "VECs" means vehicle equivalent credits.

[(28)](37) "ZEV" means a zero emission vehicle.

(b) Applicability.

(1) This section shall apply to all 2008 and subsequent model year passenger cars and light duty trucks sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in the State of Connecticut except that this [section] subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(2) This section shall apply to all 2009 and subsequent model year medium-duty vehicles sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in the State of Connecticut except that this subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(3) The greenhouse gas emission standards and related provisions in this section shall apply to all 2009 and subsequent model year passenger cars, light-duty trucks and medium-duty passenger vehicles sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in the State of Connecticut except that this subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(c) Prohibitions and compliance requirements.

(1) Unless subject to an exemption listed in subsection (d) of this section, no person shall sell or register, offer for sale or lease, import, deliver, purchase, rent, lease, acquire or receive a new 2008 or subsequent model year [vehicle] passenger car or light duty truck or a 2009 or subsequent model year medium-duty vehicle or medium-duty passenger vehicle in the State of Connecticut unless such vehicle is certified to California emission standards and meets:

(A) The exhaust emission standards set forth in the California Code of Regulations, Title 13, sections 1956.8(g) or (h), 1960.1, 1961(a) or 1962(a);

(B) The emission control label or smog index label requirements
(C) The evaporative emission standards set forth in the California Code of Regulations, Title 13, section 1976;

(D) The refueling emission standards set forth in the California Code of Regulations, Title 13, section 1978;

(E) The malfunction and diagnostic system requirements set forth in the California Code of Regulations, Title 13, 1968.1;

(F) The assembly-line testing procedure requirements set forth in the California Code of Regulations, Title 13, section 2062; [and]

(G) The specifications for fill pipes and openings of motor vehicle fuel tanks set forth in the California Code of Regulations, Title 13, section 2235[.]; and


(2) ZEV mandate.

(A) Beginning with the 2008 model year, each manufacturer’s sales fleet of passenger cars and light duty trucks produced and delivered for sale in the State of Connecticut shall contain at least the same percentage of ZEVs subject to the same requirements, including early credit, [and] banking, and travel provisions, set forth in the California Code of Regulations, Title 13, section 1962 using Connecticut specific vehicle numbers.

(B) Alternative compliance mechanisms. As an alternative means of compliance with the requirements of subparagraph (A) of this subdivision, an automobile manufacturer may instead opt to comply with the provisions of subsection (m) of this section. [If a manufacturer opts to utilize the alternative compliance mechanisms set forth in subsection (m) of this section, such manufacturer shall notify the commissioner in writing by March 1, 2005.]

(C) Until such time that NEVs can be legally registered in Connecticut and operated with restrictions no more stringent than imposed by the State of California, manufacturers that generate ZEV credits in California through the sale of NEVs shall receive Connecticut credits for those sales. Such credits shall be transferred annually using the ZEV credit account transfer ratio determined in accordance with section (m)(3), as applicable to the manufacturer.
(3) All vehicle manufacturers shall comply with the fleet average, warranty, recall and other applicable requirements set forth in subsections (e), (f), (g), (h), (i), (j), [and] (k), and (n) of this section.

(d) Exemptions. The following vehicles shall not be subject to this section:

(1) A vehicle transferred by inheritance;

(2) A vehicle transferred by decree of divorce, dissolution or legal separation entered by a court of competent jurisdiction;

(3) A vehicle purchased by a nonresident prior to establishing residency in the State of Connecticut;

(4) A vehicle sold for the purpose of being wrecked or dismantled;

(5) A vehicle sold directly from one dealer to another dealer;

(6) A vehicle sold for registration out of state;

(7) A vehicle sold designed exclusively for off-highway use;

(8) A vehicle that has been certified to standards promulgated pursuant to the authority contained in 42 U.S.C. 7521 and which is in the possession of a rental agency in Connecticut and is next rented with a final destination outside of Connecticut;

(9) An emergency vehicle;

(10) A military tactical vehicle;

(11) A vehicle exempted by California Health and Safety Code, section 43656; or

(12) A vehicle acquired by a resident of this state for the purpose of replacing a vehicle registered to such resident that was damaged or became inoperative beyond reasonable repair or was stolen while out of this state, provided that such replacement vehicle is acquired out of state at the time the previously owned vehicle was either damaged or became inoperative or was stolen.

(13) Light-Duty Trucks from 3,751 pounds LVW to 8,500 pounds GVW that are certified to the Option 1 LEV II standard for oxides of nitrogen set forth in the California Code of Regulations, Title 13, section 1961(a)(1) are exempt from the greenhouse gas emission standards set forth in subsection (c)(1)(H) of this section. Passenger Cars, Light-Duty Trucks 0-3750 pounds LVW, and medium-duty passenger vehicles are not eligible for this exemption.
(e) Emission standards, warranty, recall and miscellaneous provisions. Each manufacturer and each new 2008 and subsequent model year passenger car and light-duty truck that is subject to this section shall comply with each applicable standard set forth in Table 36b-1 and incorporated by reference herein:

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(f) Fleet average requirements, reporting and projections, and delivery reporting requirements.

(1) Effective for 2008 and subsequent model years, the [The] fleet average NMOG gas emission values from passenger cars and light-duty trucks vehicles produced and delivered for sale in the State of Connecticut by a manufacturer for each model year shall not exceed the fleet average numbers set forth in California Code of Regulations, Title 13, sections 1960.1(g)(2) and 1961(b)(1), except as provided in section 1960.1(g)(2) and 1961(b)(1). Effective for 2008 and subsequent model years, manufacturers may earn and bank NMOG credits in accordance with California Code of Regulations, Title 13, section 1961, except NMOG credits earned prior to model year 2011 shall be treated as though they were earned in model year 2011 and no debits shall be carried forward after model year 2011.

(2) Effective for 2009 and subsequent model years, each manufacturer shall comply with the medium-duty vehicle phase-in requirements and, for 2004 and subsequent model-years, may earn and bank VECs, both in accordance with California Code of Regulations, Title 13, section 1961, except VECs earned prior to model-year 2012 shall be treated as though they were earned in model-year 2012.

[(2)](3) A manufacturer that certifies vehicles equipped with direct ozone reduction technologies is eligible to receive NMOG credits for use in fleet average compliance determinations. A manufacturer shall submit to the commissioner a CARB Executive Order, obtained in accordance with California Code of Regulations Title 13, section
1960.1(g)(1), which shall determine the value of such credits for vehicles delivered for sale in the State of Connecticut, when the manufacturer submits its annual NMOG fleet average report.

[(3)](4) Credits and debits may be accrued and utilized based upon each manufacturer's sales of vehicles subject to this part in the State of Connecticut, pursuant to the provisions set forth in the California Code of Regulations Title 13, sections 1960.1(g)(2) and [1961(b)(1)] 1961(c).

[(4)](5) Commencing with the 2008 model year, each manufacturer shall report to the commissioner, using the same format used to report such information to CARB, the average emissions of its fleet delivered for sale in the State of Connecticut. The report shall be submitted to the commissioner, or the commissioner's designee, no later than March 1st of the calendar year succeeding the end of the model year. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

[(5)](6) Delivery reporting requirements. For the purposes of determining compliance with the requirements of this section, commencing with the 2008 model year, each manufacturer shall submit annually, to the commissioner, [within sixty (60) days subsequent to the end of each model year] by March 1st of the calendar year succeeding the end of the model year, a report documenting total deliveries for sale of vehicles in each engine family over that model year in the State of Connecticut. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(7) The fleet average greenhouse gas exhaust emission levels for passenger cars, light-duty trucks, and medium-duty passenger vehicles that are produced and delivered for sale in the State of Connecticut by a large volume manufacturer for each 2009 and subsequent model year are established as, and shall be determined in accordance with, the provisions set forth in California Code of Regulations, Title 13, sections 1961.1.

(8) The fleet average greenhouse gas exhaust emission levels for passenger cars, light-duty trucks, and medium-duty passenger vehicles that are produced and delivered for sale in the State of Connecticut by a small volume manufacturer or an independent low volume manufacturer for each 2016 and subsequent model year are established as, and shall be determined in accordance with, the provisions set forth in California Code of Regulations, Title 13, sections 1961.1.

(8) Greenhouse gas credits and debits may be accrued and used based on each manufacturer’s sale of vehicles subject to the greenhouse gas provisions of this section in the State of Connecticut in accordance with the provisions set forth in California Code of Regulations, Title 13, section 1961.1.
(g) Fleet Average Emissions Reporting Requirements.

(1) For the purposes of determining compliance with the requirements of subsections (c)(3) and (e) of this section, commencing with the 2008 model year, each manufacturer shall submit annually to the Department, [within sixty (60) days subsequent to the end of each model year] by March 1st of the calendar year succeeding the end of the model year, a report which demonstrates that such manufacturer has met the fleet average emissions requirements for its fleet delivered for sale in Connecticut. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(2) Prior to the commencement of each model year, commencing with the 2008 model year, each manufacturer shall submit, to the Department, a projection of the fleet average emissions for vehicles to be delivered for sale in Connecticut during such model year. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(3) Commencing with the 2009 model year, each manufacturer shall report the average greenhouse gas emissions of its fleet delivered for sale in the State of Connecticut, using the same format used to report such information to CARB. Such report shall be filed with the commissioner by March 1st of the calendar year succeeding the end of the model year and shall include the number of greenhouse gas vehicle test groups certified pursuant to subsection (m)(5) of this section, delineated by model type, delivered for sale into the State of Connecticut.

(h) Fleet average enforcement.

If, commencing with the 2011 model year and for each subsequent model year thereafter, the report issued by a manufacturer pursuant to subsection (g) of this section demonstrates noncompliance with the fleet average emission standards incorporated by reference into this section and set forth in Table 36b-1 of this section, during a model year, the manufacturer must within sixty (60) days file a Fleet Average Enforcement Report with the commissioner documenting such noncompliance. The Fleet Average Enforcement Reports must identify all vehicle models delivered for sale into the State of Connecticut and California in relation to total fleet sales in the respective state. Enforcement of the medium-duty vehicle phase-in requirements shall begin in the 2012 model year.

(i) Reporting and offset vehicle reporting.

(1) The manufacturer shall submit one copy of the California Executive Order and Certificate of Conformity relating to certification of new motor vehicles for each engine family to be sold in the State of Connecticut to the commissioner within thirty (30) days of receiving
the Executive Order from CARB. To the extent such reports are available electronically, the manufacturer shall submit such records in an electronic format acceptable to the commissioner.

(2) For the purposes of determining compliance with this section, the commissioner may require any vehicle manufacturer subject to this section to submit any documentation the commissioner deems necessary to the effective administration and enforcement of this section including all certification materials submitted to CARB.

(3) Offset vehicle reporting. Commencing with the 2008 model year, by March 1st of the calendar year succeeding the end of the model year, each manufacturer shall report to the commissioner the number of offset vehicles, categorized by model type, delivered for sale into the State of Connecticut during such model year. The report shall also include the total number of the manufacturer's fleet delivered for sale into the State of Connecticut.

(j) Warranty requirements.

(1) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this section, each manufacturer shall provide a warranty to the ultimate purchaser and each subsequent purchaser that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2035 through 2038, 2040 and 2046.

(2) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this section, each manufacturer shall include the emission control system warranty statement that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2039 modified as may be necessary to inform Connecticut vehicle owners of the applicability of the California warranty. The manufacturer shall also provide a telephone number on such statement appropriate for the State of Connecticut.

(k) Recalls.

(1) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this section, each manufacturer shall undertake an action equivalent to that required by any order or enforcement action taken by CARB, or any voluntary or influenced emission related recall initiated by any manufacturer pursuant to or required by California Code of Regulations, Title 13, sections 2101 through 2120, 2122 through 2133, and 2135 through 2149, unless within thirty (30) days of CARB approval of such recall, the manufacturer demonstrates to the commissioner that such recall is not applicable to vehicles registered in the State of Connecticut.
(2) For vehicles subject to an action pursuant to subdivision (1) of this subsection, each manufacturer shall send to owners of vehicles registered in the State of Connecticut a notice that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2118 or 2127, provided that such notice shall contain a telephone number appropriate for use by vehicle owners or operators in the State of Connecticut.

(1) Incorporation by reference. Availability and interpretation of referenced material.

(1) In accordance with the provisions of section 22a-174g of the Connecticut General Statutes, this section incorporates by reference certain sections of Title 13, California Code of Regulations relating to the implementation and the administration of the Low Emission Vehicle II program and subsequent greenhouse gas requirements in the State of Connecticut. Table [36b-3] 36b-1 lists the sections of Title 13, California Code of Regulations incorporated by reference and the respective amended date for each section.

(2) Copies of the relevant sections of Title 13, California Code of Regulations incorporated by reference in this section are available by contacting:

Connecticut Department of Environmental Protection
Bureau of Air Management
Planning & Standards Division
79 Elm Street
Hartford, Connecticut 06106
(860) 424-3027

(3) For purposes of applying the incorporated sections of the California Code of Regulations, unless clearly inappropriate, "California" shall mean "Connecticut."

(m) Alternative compliance mechanisms.

(1) A manufacturer may, as an alternative means of compliance with the requirements of subsection (c)(2) of this section, proceed in accordance with the provisions of subdivision (2) or (3) of this subsection. [A manufacturer who elects to follow an alternative compliance path set forth in either subdivision (2) or (3) of this subsection shall notify the commissioner of the elected compliance path by March 1, 2005.]

(2) A manufacturer may earn Connecticut ZEV credits for the introduction into Connecticut of PZEVs, AT PZEVs and ZEVs [beginning with 2004 model year] provided that:

   (A) The vehicle credit values for this alternative compliance path shall be the same as in the California Code
of Regulations, Title 13, section 1962.

(B) After the credit value for a vehicle is established by CARB pursuant to California Code of Regulations, Title 13, section 1962, a Connecticut multiplier will be applied to such credit value for that vehicle in accordance with Table 36b-2. The Connecticut multiplier shall apply to PZEVs, ATPZEVs and ZEVs produced for sale in Connecticut prior to the 2004 model year. Such multiplier shall not be applied to type III ZEVs [placed in service pursuant to the California Alternative Requirements for Large Volume Manufacturers as identified in the California Code of Regulations, Title 13, section 1962(b)(2)(B)].

<table>
<thead>
<tr>
<th>Model Year</th>
<th>Requirement</th>
<th>PZEV Credit Multiplier</th>
<th>AT PZEV Credit Multiplier</th>
<th>ZEV Credit Multiplier</th>
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<tr>
<td>2004</td>
<td>Voluntary Early Introduction</td>
<td>1.5</td>
<td>2.25</td>
<td>3</td>
</tr>
<tr>
<td>2005</td>
<td>Voluntary Early Introduction</td>
<td>1.5</td>
<td>2.25</td>
<td>3</td>
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<td>Voluntary Early Introduction</td>
<td>1.3</td>
<td>1.7</td>
<td>2</td>
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<tr>
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<td>Voluntary Early Introduction</td>
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<td>1.3</td>
<td>1.5</td>
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<td>2008</td>
<td>Mandatory Compliance</td>
<td>1.15</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>2009</td>
<td>Equivalency with California Program</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

(C) Connecticut ZEV credit use, life, banking and trading will be calculated as per California Code of Regulations, Title 13, section 1962.

(D) Each manufacturer operating under this alternative compliance path shall submit a compliance report to the commissioner along with annual sales reports no later than [March 31st] May 1st following the completed model year. The compliance report shall include vehicle sales organized by engine family and identify the number and type of Connecticut [ZEV] credits earned. Such report may be amended based on late sales.

(E) Each manufacturer operating under this alternative compliance path shall make available for purchase or lease in Connecticut any advanced technology vehicle models, including all ZEVs except type III ZEVs [placed in service pursuant to California Code of Regulations, Title 13, section 1962(b)(2)(B)], sold or leased in California.
(F) The commissioner shall calculate the amount of credits earned based on the report received pursuant to subparagraph (D) of this subdivision. The commissioner shall establish [a] ZEV compliance [account] accounts for each manufacturer and allocate the credits earned to such compliance account, including separate accounts for PZEV, AT-PZEV, NSV, Type 0 ZEVs, Type I ZEVs, Type II ZEVs, Type III ZEVs, transportation system and extended service. [In] For each account, in the event that the number of credits earned under this subdivision is less than the number of credits that would have been awarded to a manufacturer under subdivision (3) of this subsection, the commissioner shall calculate the difference and apply a number of credits equal to such difference to such manufacturer's compliance account.

(3) The commissioner shall set aside a number of Connecticut ZEV credits proportionally equivalent to the number of ZEV credits possessed by the requesting manufacturer for use in the State of California [on January 1, 2008.] at the beginning of the 2008 model year. This transfer shall be performed only after all credit obligations for the 2007 and earlier model years have been satisfied in California. The commissioner shall multiply the manufacturer's California credit balances by the ratio of the average number of PCs and LDTIs produced and delivered for sale in Connecticut to the combined average number of PCs and LDTIs produced and delivered for sale in California in model years 2000 through 2002 or, alternatively, by the ratio of PCs and LDTIs produced and delivered for sale in Connecticut to the combined number of PCs and LDTIs produced and delivered for sale in California in model year 2008. In either case, the commissioner shall determine the model year 2008 ZEV sales requirements in Connecticut using the same time period that determined the credit transfer ratio. The commissioner shall notify such manufacturer of the number of ZEV credits, allocated in accordance with subdivision (2) (F) of this subsection, available for use by [May] July 31, 2008 and annually thereafter until such credits are fully consumed. Credits issued pursuant to this subdivision may only be used in Connecticut for compliance with the ZEV provisions of subsection (c)(2) of this section subject to the same requirements and limitations on credit use set forth in the California Code of Regulations, Title 13, section 1962 adjusted for Connecticut specific vehicle numbers. Furthermore, each manufacturer operating under this alternative compliance path shall:

(A) By [March] May 1, 2008, provide the commissioner with either: [the total number of vehicles sold in Connecticut and California for a three-year period prior to January 1, 2008;]

(i) the total number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California for 2000 through 2002 model years, or
(ii) the total projected number of PC and LDTI vehicles to be produced and delivered for sale in Connecticut and California in model year 2008, and

(iii) by March 1, 2009, any manufacturer that provides the projected number of vehicles specified in subparagraph (A)(ii) of this subdivision shall provide the commissioner with the actual number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California in model year 2008, and

(iv) the commissioner shall, by June 30 2009, recalculate and adjust, either upward or downward, the number of ZEV credits granted based on actual model year 2008 production and delivery data submitted under subparagraph (A)(iii) of this subdivision;

(B) By [March] May 1, 2008, provide the commissioner with the total number of banked California ZEV credits [as of January 1, 2008] after all 2007 model year and earlier obligations have been satisfied in California; and

(C) Until such time as full compliance is achieved with the requirements of subsection (c)(2) of this section, make available for purchase or lease in Connecticut any advanced technology vehicle models, including all ZEVs except type III ZEVs [placed in service pursuant to California Code of Regulations, Title 13, section 1962(b)(2)(B)], that are sold, leased or offered for sale in California.

(4) Any manufacturer who fails to meet the requirements of its respective alternative compliance path shall be subject to full compliance with the ZEV mandate provisions set forth in subsection (c)(2) of this section.

(5) Optional alternative compliance with greenhouse gas emission standards.

(A) Greenhouse gas vehicle test groups that are certified pursuant to California Code of Regulations, Title 13, section 1961.1(e)(2)(a) in the State of California may receive equivalent credit if delivered for sale and use in the State of Connecticut; and

(B) A manufacturer shall submit to the commissioner the data set forth in California Code of Regulations, Title 13, section 1961.1(e)(2)(a)(i) for Connecticut specific sale and use in order to receive the credit identified in subparagraph (A) of this subdivision.

(n) Greenhouse gas emission standards and related requirements.
Each manufacturer subject to the greenhouse gas provisions of this section shall demonstrate compliance with such provisions as required by, and in accordance with, Code of California Regulations, Title 13, section 1961.1.

(o) Severability.

Each provision of this section is deemed severable, and in the event that any provision of this section is held to be invalid, the remainder of this section shall continue in full force and effect.

Statement of purpose: To revise section 22a-174-36b of the Regulations of Connecticut State Agencies to make minor technical corrections and clarifications, to adopt LEV II emission standards and related provisions for medium-duty vehicles commencing with the 2009 model year, to adopt LEV II greenhouse gas emission standards and related provisions for passenger cars, light duty trucks and medium-duty passenger vehicles commencing with the 2009 model year in accordance with section 177 of the federal Clean Air Act and Connecticut Public Act 04-84, and to provide additional clarification and flexibility with respect to the implementation of the zero emission vehicle program in Connecticut.

X. Conclusion

Based upon the comments submitted by interested parties and addressed in this Hearing Report, I recommend that section 36b, as set forth in Part IX of this report, be submitted by the Commissioner of Environmental Protection for approval by the Attorney General and the Legislative Regulations Review Committee.

Paul E. Farrell
Hearing Officer

October 21, 2005
Date
## Attachment 2
### List of Commenters

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   Arlington, VA 22201

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   CIMS 482-00-71

4. Gregory Dana, Vice President for Environmental Affairs  
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    ConnPIRG  
    198 Park Road, 2nd Floor  
    West Hartford, CT 06419
Section 22a-174-36b of the Regulations of Connecticut State Agencies is amended to read as follows:

Section 22a-174-36b. Low Emission Vehicles II Program.

(a) Definitions and abbreviations. Provided that any term related to the administration of the Low Emission Vehicles II program not defined in this subsection shall be as defined or described in Title 13 of the California Code of Regulations, for the purposes of this section:

(1) "Advanced technology vehicle" means any PZEV, AT PZEV or ZEV.

(2) "Air contaminant emission control system" means the equipment designed for installation on a motor vehicle or motor vehicle engine for the purpose of reducing the air contaminants emitted from the motor vehicle or motor vehicle engine, or system or engine modification on a motor vehicle or motor vehicle engine which causes a reduction of air contaminants emitted from the motor vehicle or motor vehicle engine, including but not limited to exhaust control systems, fuel evaporation control systems, and crankcase ventilating systems.

(3) "Alternative fuel" means any fuel that is commonly or commercially known or sold as one of the following: M-100 fuel methanol, M-85 fuel methanol, E-100 fuel ethanol, E-85 fuel ethanol, compressed natural gas, liquefied petroleum gas, or hydrogen.

(4) "AT PZEV" means advanced technology partial zero emission vehicle.

(5) "CARB" means the California Air Resources Board.

(6) "Certified" means the finding by CARB that a motor vehicle, motor vehicle engine, or motor vehicle engine family, or air contaminant emission control system has satisfied the criteria adopted by CARB for the control of specified air contaminants from motor vehicles.

(7) "Dual-fuel" means a motor vehicle that is engineered and designed to be capable of operating on a petroleum fuel and on another fuel that is stored separately on-board the vehicle.

(8) "Emergency vehicle" means any publicly owned vehicle operated by a peace officer in performance of his or her duties, any authorized vehicle used for fighting fires or responding to emergency fire calls, any publicly owned authorized vehicle used by emergency medical technicians or paramedics, or used for towing or
servicing other vehicles, or repairing damaged lighting or electrical equipment, or an ambulance.

"Emission control label" means the permanent stickers required by CARB and affixed to all \([2008 \text{ and subsequent model year}]\) passenger cars, [and] light duty trucks[, and] medium-duty vehicles certified for sale in California.

"Emissions-related part" means any automotive part that affects any regulated emissions from a motor vehicle or motor vehicle engine that is subject to California or federal emissions standards, as set forth in California Code of Regulations, Title 13, section 1900(b)(3).

"EPA" means the United States Environmental Protection Agency.

"Executive Order" means an Executive Order of CARB.

"Fleet average emissions" means a motor vehicle manufacturer's average vehicle emissions of all non-methane organic gases and all greenhouse gases from all vehicles that are subject to this section, sold in the State of Connecticut in any applicable model year.

"Fuel-flexible" means [a methanol-fueled] an alternative fuel motor vehicle that is engineered and designed for operation using any [gasoline-methanol] alternative fuel mixture or blend.

"Greenhouse gas" means any of the following gases: carbon dioxide, methane, nitrous oxide, and hydrofluorocarbons.

"Greenhouse gas vehicle test group" means "greenhouse gas vehicle test group" as defined in California Code of Regulations, Title 13, section 1961.1.

"Heavy-duty vehicle" means any motor vehicle having a manufacturer's gross vehicle weight rating greater than 6,000 pounds, except passenger cars.

"Hybrid electric vehicle" or "HEV" means a motor vehicle which allows power to be delivered to the driver wheels solely by a battery powered electric motor but which also incorporates the use of a combustion engine to provide power to the battery, or any vehicle which allows power to be delivered to the drive wheels by either a combustion engine and/or by battery powered electric motor.

"Independent low volume manufacturer" means "independent low volume manufacturer" as defined in California Code of Regulations, Title 13, section 1900.
"Light duty truck" or "LDT" means any 2008 and subsequent model-year motor vehicle certified to the standards in California Code of Regulations, Title 13, section 1961(a)(1) having a gross vehicle weight rating of 8500 pounds or less, and any other motor vehicle rated at 6000 pounds or less, that is designed primarily for the purposes of transportation of property or is a derivative of such a vehicle, or is available with special features enabling off-street or off-highway operation and use.

"Loaded vehicle weight" or "LVW" means vehicle curb weight plus 300 pounds.

"Low Emission Vehicle II program" means the standards for motor vehicles, motor vehicle engines and related provisions that the State of California has adopted and is permitted to adopt under 42 USC 7543 and that the Commissioner is permitted to adopt under 42 USC 7507 as required by section 22a-174g of the Connecticut General Statutes for the implementation of such program in Connecticut.

"Medium-duty passenger vehicle" means "medium-duty passenger vehicle" as defined in California Code of Regulations, Title 13, section 1900.

"Medium-duty vehicle" means "medium-duty vehicle" as defined in California Code of Regulations, Title 13, section 1900. [any 2008 and subsequent model year heavy-duty, low-emissions, ultra-low-emission, super-ultra-low emission or zero-emission vehicle certified to the standards in California Code of Regulations, Title 13, section 1961(a)(1) or 1962 having a manufacturer's gross vehicle weight rating between 8,501 and 14,000 pounds.]

"Military tactical vehicles and equipment" means those vehicles defined by California Code of Regulations, 13, section 1905.

"Model year" means "model year" as defined in 40 CFR 85.2302 and determined in accordance with the provisions of 40 CFR 85.2301 through 40 CFR 85.2304, inclusive.

"Neighborhood electric vehicle" or "NEV" means a motor vehicle certified to zero emission vehicle standards and meets the definition of "low speed vehicle" either in California Code of Regulations, Title 13, section 385.5 or in 49 CFR 571.500.

"New vehicle" means any passenger car or light duty truck with 7,500 miles or fewer on its odometer.
[(22)](29) "NMOG" means non-methane organic gas;

[(23)](30) "Passenger car" or "PC" means any motor vehicle designed primarily for transportation of persons having a design capacity of twelve persons or less.

[(24)](31) "Offset vehicle" means a vehicle that has been certified by the State of California as set forth in the California Code of Regulations, Title 13, section 1960.5.

[(25)](32) "PZEV" means partial ZEV as defined in California Code of Regulations, Title 13, section 1962.

[(26)](33) "Small volume manufacturer" means, "small volume manufacturer" as defined in California Code of Regulations, Title 13, section 1900. [except as otherwise provided in California Code of Regulations, Title 13, sections 1960.1(g)(2), 1960.1(h)(2) and 1960.1(n), any 2001 and subsequent model-year manufacturer with California sales less than 4,500 new passenger cars, light-duty trucks, medium-duty vehicles, heavy-duty vehicles and heavy-duty engines based on the average number of vehicles sold for the three previous consecutive model-years for which a manufacturer seeks certification; however, for manufacturers certifying for the first time in California, model year sales shall be based on projected California sales.]

(34) "Travel provision" means the provision of the California Code of Regulations that entitles a manufacturer to full credit for each Type III ZEV placed in service prior to model year 2012 in California or any other state that has adopted the California ZEV mandate.

[(27)](35) "Vehicle" means any motor vehicle.

[(28)](36) "ZEV" means a zero emission vehicle.

(b) Applicability.

(1) This section shall apply to all 2008 and subsequent model year passenger cars and light duty trucks sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in the State of Connecticut except that this [section] subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(2) This section shall apply to all 2009 and subsequent model year medium-duty vehicles sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in
the State of Connecticut except that this subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(3) The greenhouse gas emission standards and related provisions in this section shall apply to all 2009 and subsequent model year passenger cars, light-duty trucks and medium-duty passenger vehicles sold, leased, offered for sale or lease, imported, delivered, purchased, rented, acquired or received, in the State of Connecticut except that this subdivision shall not apply to those vehicles listed in subsection (d) of this section.

(c) Prohibitions and compliance requirements.

(1) Unless subject to an exemption listed in subsection (d) of this section, no person shall sell or register, offer for sale or lease, import, deliver, purchase, rent, lease, acquire or receive a new 2008 or subsequent model year [vehicle] passenger car or light duty truck or a 2009 or subsequent model year medium-duty vehicle or medium-duty passenger vehicle in the State of Connecticut unless such vehicle is certified to California emission standards and meets:

(A) The exhaust emission standards set forth in the California Code of Regulations, Title 13, sections 1956.8(g) or (h), 1960.1, 1961(a) or 1962(a);

(B) The emission control label or smog index label requirements set forth in the California Code of Regulations, Title 13, section 1965;

(C) The evaporative emission standards set forth in the California Code of Regulations, Title 13, section 1976;

(D) The refueling emissions standards set forth in the California Code of Regulations, Title 13, section 1978;

(E) The malfunction and diagnostic system requirements set forth in the California Code of Regulations, Title 13, section 1968.1;

(F) The assembly-line testing procedure requirements set forth in the California Code of Regulations, Title 13, section 2062; [and]

(G) The specifications for fill pipes and openings of motor vehicle fuel tanks set forth in the California Code of Regulations, Title 13, section 2235[.]; and

(2) **ZEV mandate.**

(A) Beginning with the 2008 model year, each manufacturer's sales fleet of passenger cars and light duty trucks produced and delivered for sale in the State of Connecticut shall contain at least the same percentage of ZEVs subject to the same requirements, including early credit, [and] banking, and travel provisions, set forth in the California Code of Regulations, Title 13, section 1962 using Connecticut specific vehicle numbers.

(B) Alternative compliance mechanisms. As an alternative means of compliance with the requirements of subparagraph (A) of this subdivision, an automobile manufacturer may instead opt to comply with the provisions of subsection (m) of this section. [If a manufacturer opts to utilize the alternative compliance mechanisms set forth in subsection (m) of this section, such manufacturer shall notify the commissioner in writing by March 1, 2005.]

(3) All vehicle manufacturers shall comply with the fleet average, warranty, recall and other applicable requirements set forth in subsections (e), (f), (g), (h), (i), (j), [and] (k), and (n) of this section.

(d) **Exemptions.** The following vehicles shall not be subject to this section:

(1) A vehicle transferred by inheritance;

(2) A vehicle transferred by decree of divorce, dissolution or legal separation entered by a court of competent jurisdiction;

(3) A vehicle purchased by a nonresident prior to establishing residency in the State of Connecticut;

(4) A vehicle sold for the purpose of being wrecked or dismantled;

(5) A vehicle sold directly from one dealer to another dealer;

(6) A vehicle sold for registration out of state;

(7) A vehicle sold designed exclusively for off-highway use;

(8) A vehicle that has been certified to standards promulgated pursuant to the authority contained in 42 U.S.C. 7521 and which is in the possession of a rental agency in Connecticut and is next rented with a final destination outside of Connecticut;
(9) An emergency vehicle;
(10) A military tactical vehicle;
(11) A vehicle exempted by California Health and Safety Code, section 43656; or
(12) A vehicle acquired by a resident of this state for the purpose of replacing a vehicle registered to such resident that was damaged or became inoperative beyond reasonable repair or was stolen while out of this state, provided that such replacement vehicle is acquired out of state at the time the previously owned vehicle was either damaged or became inoperative or was stolen.
(13) Light-Duty Trucks from 3,751 pounds LVW to 8,500 pounds GVW that are certified to the Option 1 LEV II standard for oxides of nitrogen set forth in the California Code of Regulations, Title 13, section 1961(a)(1) are exempt from the greenhouse gas emission standards set forth in subsection (c)(1)(H) of this section. Passenger Cars, Light-Duty Trucks 0-3750 pounds LVW, and medium-duty passenger vehicles are not eligible for this exemption.

(e) Emission standards, warranty, recall and miscellaneous provisions. Each manufacturer and each new 2008 and subsequent model year passenger car and light-duty truck that is subject to this section shall comply with each applicable standard set forth in Table 36b-1 and incorporated by reference herein:

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**Article 1 Assembly Line Testing.**

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(f) Fleet average requirements, reporting and projections, and delivery reporting requirements.

(1) The fleet average NMOG gas emission values from passenger cars, [and] light-duty trucks and medium-duty vehicles produced and delivered for sale in the State of Connecticut by a manufacturer for each model year shall not exceed the fleet average numbers set forth in California Code of Regulations, Title 13, sections 1960.1(g)(2) and 1961(b)(1), except as provided in section 1960.1(g)(2) and 1961(b)(1).

(2) A manufacturer that certifies vehicles equipped with direct ozone reduction technologies is eligible to receive NMOG credits for use in fleet average compliance determinations. A manufacturer shall submit to the commissioner a CARB Executive Order, obtained in accordance with California Code of Regulations Title 13, section 1960.1(g)(1), which shall determine the value of such credits for vehicles delivered for sale in the State of Connecticut, when the manufacturer submits its annual NMOG fleet average report.

(3) Credits and debits may be accrued and utilized based upon each manufacturer’s sales of vehicles subject to this part in the State of Connecticut, pursuant to the provisions set forth in the California Code of Regulations Title 13, sections 1960.1(g)(2) and 1961(b)(1).

(4) Commencing with the 2008 model year, each manufacturer shall report to the commissioner, using the same format used to report such information to CARB, the average emissions of its fleet delivered for sale in the State of Connecticut. The report shall be submitted to the commissioner, or the commissioner’s designee, no later than March 1st of the calendar year succeeding the end of the model year. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(5) Delivery reporting requirements. For the purposes of determining compliance with the requirements of this section, commencing with the 2008 model year, each manufacturer shall submit annually, to the commissioner, [within sixty (60) days subsequent to the end of each model year] by March 1st of the calendar year succeeding the end of the model year, a report documenting total deliveries for sale of vehicles in each engine family over that model year in the State of Connecticut. Commencing with the 2009 model year, such report shall include medium-duty vehicles.
(6) The fleet average greenhouse gas exhaust emission levels for passenger cars, light-duty trucks, and medium-duty passenger vehicles that are produced and delivered for sale in the State of Connecticut by a large volume manufacturer for each 2009 and subsequent model year are established as, and shall be determined in accordance with, the provisions set forth in California Code of Regulations, Title 13, sections 1961.1.

(7) The fleet average greenhouse gas exhaust emission levels for passenger cars, light-duty trucks, and medium-duty passenger vehicles that are produced and delivered for sale in the State of Connecticut by a small volume manufacturer or an independent low volume manufacturer for each 2016 and subsequent model year are established as, and shall be determined in accordance with, the provisions set forth in California Code of Regulations, Title 13, sections 1961.1.

(8) Greenhouse gas credits and debits may be accrued and used based on each manufacturer's sale of vehicles subject to the greenhouse gas provisions of this section in the State of Connecticut in accordance with the provisions set forth in California Code of Regulations, Title 13, section 1961.1.

(g) Fleet Average Emissions Reporting Requirements.

(1) For the purposes of determining compliance with the requirements of subsections (c)(3) and (e) of this section, commencing with the 2008 model year, each manufacturer shall submit annually to the Department, [within sixty (60) days subsequent to the end of each model year] by March 1st of the calendar year succeeding the end of the model year, a report which demonstrates that such manufacturer has met the fleet average emissions requirements for its fleet delivered for sale in Connecticut. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(2) Prior to the commencement of each model year, commencing with the 2008 model year, each manufacturer shall submit, to the Department, a projection of the fleet average emissions for vehicles to be delivered for sale in Connecticut during such model year. Commencing with the 2009 model year, such report shall include medium-duty vehicles.

(3) Commencing with the 2009 model year, each manufacturer shall report the average greenhouse gas emissions of its fleet delivered for sale in the State of Connecticut, using the same format used to report such information to CARB. Such report shall be filed with the commissioner by March 1st of the calendar year succeeding the end of the model year and shall include the number of greenhouse gas vehicle test groups certified pursuant to subsection (m)(5) of
this section, delineated by model type, delivered for sale into the State of Connecticut.

(h) Fleet average enforcement.

If, commencing with the 2011 model year and for each subsequent model year thereafter, the report issued by a manufacturer pursuant to subsection (g) of this section demonstrates noncompliance with the fleet average emission standards incorporated by reference into this section and set forth in Table 36b-1 of this section, during a model year, the manufacturer must within sixty (60) days file a Fleet Average Enforcement Report with the commissioner documenting such noncompliance. The Fleet Average Enforcement Reports must identify all vehicle models delivered for sale into the State of Connecticut and their corresponding certification standards and the percentage of each model delivered for sale into the State of Connecticut and California in relation to total fleet sales in the respective state.

(i) Reporting and offset vehicle reporting.

(1) The manufacturer shall submit one copy of the California Executive Order and Certificate of Conformity relating to certification of new motor vehicles for each engine family to be sold in the State of Connecticut to the commissioner within thirty (30) days of receiving the Executive Order from CARB. To the extent such reports are available electronically, the manufacturer shall submit such records in an electronic format acceptable to the commissioner.

(2) For the purposes of determining compliance with this section, the commissioner may require any vehicle manufacturer subject to this section to submit any documentation the commissioner deems necessary to the effective administration and enforcement of this section including all certification materials submitted to CARB.

(3) Offset vehicle reporting. Commencing with the 2008 model year, by March 1st of the calendar year succeeding the end of the model year, each manufacturer shall report to the commissioner the number of offset vehicles, categorized by model type, delivered for sale into the State of Connecticut during such model year. The report shall also include the total number of the manufacturer's fleet delivered for sale into the State of Connecticut.

(j) Warranty requirements.

(1) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this
section, each manufacturer shall provide a warranty to the ultimate purchaser and each subsequent purchaser that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2035 through 2038, 2040 and 2046.

(2) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this section, each manufacturer shall include the emission control system warranty statement that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2039 modified as may be necessary to inform Connecticut vehicle owners of the applicability of the California warranty. The manufacturer shall also provide a telephone number on such statement appropriate for the State of Connecticut.

(k) Recalls.

(1) For all 2008 and subsequent model year vehicles subject to the provisions of this section and for all 2009 and subsequent model year medium-duty vehicles subject to the provisions of this section, each manufacturer shall undertake an action equivalent to that required by any order or enforcement action taken by CARB, or any voluntary or influenced emission related recall initiated by any manufacturer pursuant to or required by California Code of Regulations, Title 13, sections 2101 through 2120, 2122 through 2133, and 2135 through 2149, unless within thirty (30) days of CARB approval of such recall, the manufacturer demonstrates to the commissioner that such recall is not applicable to vehicles registered in the State of Connecticut.

(2) For vehicles subject to an action pursuant to subdivision (1) of this subsection, each manufacturer shall send to owners of vehicles registered in the State of Connecticut a notice that complies with the requirements set forth in California Code of Regulations, Title 13, sections 2118 or 2127, provided that such notice shall contain a telephone number appropriate for use by vehicle owners or operators in the State of Connecticut.

(1) Incorporation by reference. Availability and interpretation of referenced material.

(1) In accordance with the provisions of section 22a-174g of the Connecticut General Statutes, this section incorporates by reference certain sections of Title 13, California Code of Regulations relating to the implementation and the administration of the Low Emission Vehicle II program and subsequent greenhouse gas requirements in the State of Connecticut. Table [36b-3] 36b-1 lists the sections of Title 13, California Code of Regulations
incorporated by reference and the respective amended date for each section.

(2) Copies of the relevant sections of Title 13, California Code of Regulations incorporated by reference in this section are available by contacting:

Connecticut Department of Environmental Protection
Bureau of Air Management
Planning & Standards Division
79 Elm Street
Hartford, Connecticut 06106
(860) 424-3027

(3) For purposes of applying the incorporated sections of the California Code of Regulations, unless clearly inappropriate, "California" shall mean "Connecticut."

(m) Alternative compliance mechanisms.

(1) A manufacturer may, as an alternative means of compliance with the requirements of subsection (c)(2) of this section, proceed in accordance with the provisions of subdivision (2) or (3) of this subsection. [A manufacturer who elects to follow an alternative compliance path set forth in either subdivision (2) or (3) of this subsection shall notify the commissioner of the elected compliance path by March 1, 2005.]

(2) A manufacturer may earn Connecticut ZEV credits for the introduction into Connecticut of PZEVs, AT PZEVs and ZEVs beginning with 2004 model year provided that:

(A) The vehicle credit values for this alternative compliance path shall be the same as in the California Code of Regulations, Title 13, section 1962.

(B) After the credit value for a vehicle is established by CARB pursuant to California Code of Regulations, Title 13, section 1962, a Connecticut multiplier will be applied to such credit value for that vehicle in accordance with Table 36b-2. The Connecticut multiplier shall not be applied to type III ZEVs [placed in service pursuant to the California Alternative Requirements for Large Volume Manufacturers as identified in the California Code of Regulations, Title 13, section 1962(b)(2)(B)].
### Table 36b-2
Connecticut Multiplier

<table>
<thead>
<tr>
<th>Model Year</th>
<th>Requirement</th>
<th>PZEV Credit Multiplier</th>
<th>AT PZEV Credit Multiplier</th>
<th>ZEV Credit Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Voluntary Early Introduction</td>
<td>1.5</td>
<td>2.25</td>
<td>3</td>
</tr>
<tr>
<td>2005</td>
<td>Voluntary Early Introduction</td>
<td>1.5</td>
<td>2.25</td>
<td>3</td>
</tr>
<tr>
<td>2006</td>
<td>Voluntary Early Introduction</td>
<td>1.3</td>
<td>1.7</td>
<td>2</td>
</tr>
<tr>
<td>2007</td>
<td>Voluntary Early Introduction</td>
<td>1.15</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>2008</td>
<td>Mandatory Compliance</td>
<td>1.15</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>2009</td>
<td>Equivalency with California Program</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

(C) Connecticut ZEV credit use, life, banking and trading will be calculated as per California Code of Regulations, Title 13, section 1962.

(D) Each manufacturer operating under this alternative compliance path shall submit a compliance report to the commissioner along with annual sales reports no later than [March 31st] May 1st following the completed model year. The compliance report shall include vehicle sales organized by engine family and identify the number and type of Connecticut [ZEV] credits earned. Such report may be amended based on late sales.

(E) Each manufacturer operating under this alternative compliance path shall make available for purchase or lease in Connecticut any advanced technology vehicle models, including all ZEVs except type III ZEVs [placed in service pursuant to California Code of Regulations, Title 13, section 1962(b)(2)(B)], sold or leased in California.

(F) The commissioner shall calculate the amount of credits earned based on the report received pursuant to subparagraph (D) of this subdivision. The commissioner shall establish [a] ZEV compliance [account] accounts for each manufacturer and allocate the credits earned to such compliance account, including separate accounts for PZEV, AT-PZEV, NEV, Type 0 ZEVs, Type I ZEVs, Type II ZEVs, Type III ZEVs, transportation system and extended service. [In] For each account, in the event that the number of credits earned under this subdivision is less
than the number of credits that would have been awarded to a manufacturer under subdivision (3) of this subsection, the commissioner shall calculate the difference and apply a number of credits equal to such difference to such manufacturer's compliance account.

(3) The commissioner shall set aside a number of Connecticut ZEV credits proportionally equivalent to the number of ZEV credits possessed by the requesting manufacturer for use in the State of California [on January 1, 2008] at the beginning of the 2008 model year. This transfer shall be performed only after all credit obligations for the 2007 and earlier model years have been satisfied in California. The commissioner shall multiply the manufacturer's California credit balances by the ratio of the average number of PCs and LDTIs produced and delivered for sale in Connecticut to the combined average number of PCs and LDTIs produced and delivered for sale in California in model years 2002 through 2004 or, alternatively, by the ratio of PCs and LDTIs produced and delivered for sale in Connecticut to the combined number of PCs and LDTIs produced and delivered for sale in California in model year 2008. In either case, the commissioner shall determine the model year 2008 ZEV sales requirements in Connecticut using the same time period that determined the credit transfer ratio. The commissioner shall notify such manufacturer of the number of ZEV credits, allocated in accordance with subdivision (2)(F) of this subsection, available for use by [May] July 31, 2008 and annually thereafter until such credits are fully consumed. Credits issued pursuant to this subdivision may only be used in Connecticut for compliance with the ZEV provisions of subsection (c)(2) of this section subject to the same requirements and limitations on credit use set forth in the California Code of Regulations, Title 13, section 1962 adjusted for Connecticut specific vehicle numbers. Furthermore, each manufacturer operating under this alternative compliance path shall:

(A) By [March] May 1, 2008, provide the commissioner with:
- the total number of vehicles sold in Connecticut and California for a three-year period prior to January 1, 2008;
- the total number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California for 2000 through 2002 model years, or
- the total projected number of PC and LDTI vehicles to be produced and delivered for sale in Connecticut and California in model year 2008, and
- by March 1, 2009, the actual number of PC and LDTI vehicles produced and delivered for sale in Connecticut and California in model year 2008, and
(iv) the commissioner shall, by June 30, recalculate and adjust, either upward or downward, the number of ZEV credits granted based on projected production and delivery data submitted under subparagraph (A)(ii) of this subdivision based on actual production and delivery data submitted under subparagraph (A)(iii) of this subdivision;

(B) By [March] May 1, 2008, provide the commissioner with the total number of banked California ZEV credits [as of January 1, 2008] after all 2007 model year and earlier obligations have been satisfied in California; and

(C) Until such time as full compliance is achieved with the requirements of subsection (c)(2) of this section, make available for purchase or lease in Connecticut any advanced technology vehicle models, including all ZEVs except type III ZEVs [placed in service pursuant to California Code of Regulations, Title 13, section 1962(b)(2)(B)], that are sold, leased or offered for sale in California.

(4) Any manufacturer who fails to meet the requirements of its respective alternative compliance path shall be subject to full compliance with the ZEV mandate provisions set forth in subsection (c)(2) of this section.

(5) Optional alternative compliance with greenhouse gas emission standards.

(A) Greenhouse gas vehicle test groups that are certified pursuant to California Code of Regulations, Title 13, section 1961.1(e)(2)(a) in the State of California may receive equivalent credit if delivered for sale and use in the State of Connecticut; and

(B) A manufacturer shall submit to the commissioner the data set forth in California Code of Regulations, Title 13, section 1961.1(e)(2)(a)(i) for Connecticut specific sale and use in order to receive the credit identified in subparagraph (A) of this subdivision.

(n) Greenhouse gas emission standards and related requirements.

Each manufacturer subject to the greenhouse gas provisions of this section shall demonstrate compliance with such provisions as required by, and in accordance with, Code of California Regulations, Title 13, section 1961.1.
(o) Severability.

Each provision of this section is deemed severable, and in the event that any provision of this section is held to be invalid, the remainder of this section shall continue in full force and effect.

Statement of purpose: To revise section 22a-174-36b of the Regulations of Connecticut State Agencies to make minor technical corrections and clarifications, to adopt LEV II emission standards and related provisions for medium-duty vehicles commencing with the 2009 model year, to adopt recently announced revisions concerning LEV II greenhouse gas emission standards and related provisions for passenger cars, light duty trucks and medium-duty passenger vehicles commencing with the 2009 model year in accordance with section 177 of the federal Clean Air Act and Connecticut Public Act 04-84, and to provide additional clarification and flexibility with respect to the implementation of the zero emission vehicle program in Connecticut.